

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE		
DATE:	26 NOVEMBER 2018	AGENDA ITEM:	12
TITLE:	PURCHASE OF SOFTWARE LICENSES		
LEAD COUNCILLOR:	COUNCILLOR BROCK	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	ICT	WARDS:	BOROUGH WIDE
LEAD OFFICER:	ZOE HANIM HEAD OF CUSTOMER CARE & TRANSFORMATION		01189 372173 ZOE.HANIM@READING.GOV.UK
	MATTHEW DAVIS HEAD OF FINANCE		01189 372954 MATTHEW.DAVIS@READING.GOV.UK

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report sets out the Council's need to enter into two software licensing agreements:

- For the award of a contract for software licenses and maintenance for the Council's financial system.
- To replace the current desktop operating system and core productivity applications, that are approaching end of life, with modern versions that will deliver new capabilities that are essential to support new ways of working and digital transformation.

2. RECOMMENDED ACTION

2.1 That the Committee approve the award of a contract to Oracle Corporation ('Oracle') for the provision of Fusion Financial Cloud service and associated maintenance services.

2.2 That the Committee approve the purchase of 2,000 licenses for the Microsoft 365 suite, renewable on an annual basis.

3. POLICY CONTEXT

3.1 The Council's strategy for the use of Information Technology includes a requirement to use modern systems and software that enable staff to work in new ways including collaboratively, flexibly and away from office locations, and to provide better access for customers to digital and online service delivery.

3.2 To do this is necessary for the Council to have a modern, flexible financial management system, and a platform based productivity and collaboration tool to reduce reliance on shared drives, e-mail and physical storage and support more efficient ways of working.

3.3 The current financial management system will be reviewed in the near future to test its suitability for the future strategic requirements of the Council, but in the

meantime its use needs to be extended to ensure we are appropriately licensed and supported.

- 3.4 Additionally, the Council needs to procure and implement a platform for productivity, collaboration and mobile working as these capabilities are not currently delivered by the existing product suite.

4. THE PROPOSAL

4.1 Current Position:

Financial management system

- 4.1.1 The Council went live on Oracle Fusion in August 2014, becoming the first UK cloud implementation in the process. Since that date there has been one contract renewal, in 2016, which was procured through the Government's G-Cloud framework agreement.
- 4.1.2 The licenses permit the Council to use Oracle's Fusion Financials Cloud functionality for a number of separate modules including Procurement, General Ledger and Accounts Receivable. This functionality is critical to the Council's ability to purchase goods and services, pay suppliers and record these transactions within the ledger.
- 4.1.3 During 2018, there has been a major project to bring Brighter Futures for Children onto Oracle Fusion as a business in its own right. This will allow transferring staff to continue to use functionality that they are familiar with, but for all transactions to be recorded against the new Company.
- 4.1.4 The Council's existing licenses have been amended by Oracle to reflect the use by Brighter Futures for Children and Homes for Reading. Work is currently underway to scope a potential migration of HfR onto Fusion.
- 4.1.5 The Council's current contract with Oracle is due to end on 2nd December 2018. Oracle withdrew from the G-Cloud framework as of the introduction of G-Cloud 10 in July 2018; as a result of this, the Council is now unable to procure the required licenses through this route. Two alternative procurement routes have been considered:
- Procure via a reseller of licenses - this would enable the Council to purchase the required licenses through a pre-existing framework agreement, but would be subject to a mark-up by the reseller. This mark-up is believed to be circa 8% of the total license list price.
 - Procure directly from Oracle - this route would entail the Council contracting directly with Oracle.

Productivity, collaboration and mobile working

- 4.1.6 The Council currently uses the Microsoft range of productivity tools - including email and calendar, word processing, spreadsheets and presentations - delivered in a traditional way, referred to in IT terms as 'on premise'. This is where data and applications are stored locally, either on desktop machines or laptops, or on servers in data centres owned and operated by the Council and its IT managed service provider.
- 4.1.7 Licenses for the software to run these services have been procured on a perpetual basis involving large capital purchases when upgrades become due, along with significant project effort involved in rolling updates out.

- 4.1.8 Advances in cloud computing technology have reached a point where it is now far more efficient for many of these workloads to be moved to the cloud, which also unlocks benefits around resilience, flexible and mobile working, and collaboration.
- 4.1.9 One consequence of this is that the technology sector is changing the way it charges customers, moving towards a greater focus on recurring subscription revenue rather than outright purchases. Whilst it may still be possible to purchase perpetual licenses this is a less attractive option as it is often both discouraged through the pricing and misses out on the advantages of a cloud based 'software as a service' offer.
- 4.1.10 At the same time, our estate of desktop and laptop computers are running Windows 7, for which extended support from Microsoft ends in January 2020 with extended support for the Microsoft Office 2010 products in use across the Council ending in October 2020.
- 4.1.11 After these dates the applications are no longer supported and no further security fixes or updates are released. To maintain a fully functional and secure operating environment, we must upgrade to Window 10 and Office 2016 before this happens.

4.2 Option Proposed

Financial management system

- 4.2.1 It is proposed that the Council awards a contract to Oracle Corporation for the provision of Fusion Financials Cloud licenses for up to three years. The value for money of this proposal is set out in the financial implications section below.

Productivity, collaboration and mobile working

- 4.2.2 It is proposed that the Council purchases licenses for all users of our systems for Microsoft 365 (M365).

- 4.2.3 This is a suite of products and services from Microsoft, packaged together into a single yearly subscription. It is comprised of three main elements:

- **Office 365** - a suite of productivity tools hosted in the cloud, including email, calendar, word processing, spreadsheets, presentations, instant messaging and group chat, video conference calling, file storage and sharing and collaboration tools. Also, access to the latest versions of the desktop versions of these tools is included, and mobile applications for use on smartphones and tablets, enabling true mobile working.
- **Windows 10** - the latest operating system from Microsoft, including security and feature updates for this and future versions, for all our users.
- **IT security and management tools** - many of the infrastructure tools needed to run an enterprise IT operation come included with M365, including InTune for mobile device management and SCCM for the remote deployment of systems and software. We propose to make use of these wherever appropriate to reduce costs and increase efficiency.

- 4.2.4 Implementation of the M365 platform will enable opportunities for new ways of working for our employees that will allow them to be more efficient and productive. These are focused on Office 365, and explained in more detail below:

- **Mobile working** - the Office 365 suite comes with native applications on a range of mobile devices, whether Apple or Android based, providing an excellent user experience for those wanting to work on the move. By storing files in the cloud, users will be able to easily access their documents and work on them even when not in the office.

- **Collaboration** - currently working on documents with colleagues is a time consuming business, involving either emailing attachments to colleagues and then merging the various copies that are returned, or saving them to a network drive and having one user at a time able to edit them. Office 365 will enable real-time collaboration on documents, allowing multiple users to edit the same document at the same time, greatly improving efficiency.
- **Communication** - Office 365 will introduce Skype for Business to all users, providing instant messaging between individuals and the ability to hold both one to one and group video calls, including the ability to share screens. This will greatly enhance our ability to communicate quickly and in an engaging manner with colleagues, and reduce the flow of email within the Council. Another capability delivered in Office 365 is Teams, which creates team based online spaces where discussions can be held, documents collaborated on and information shared.
- **Resilience** - by moving these applications and data to the cloud, they are no longer reliant of our own networks and infrastructure to run. In the event of a major local incident, where access to the Council's IT infrastructure was compromised, access to email and other key tools would not be affected.

4.2.5 The upgrade to Windows 10 is unavoidable if we are to retain a secure Windows based operating environment for our users. It will however also bring real benefits to users, as the integration between Office 365 is much greater with Windows 10 than it is with version 7. Windows 10 is also the version of Windows supported on new form factor devices, including Surface Pro style hybrid of tablets and laptops, increasing the range of hardware we can consider for rollout to users to meet their needs.

4.2.6 Early indications from our managed service provider for IT state that Office 365 will be rolled out to all users by April 2019 and Windows 10 by September 2019.

4.3 Other Options Considered

Financial management system

4.3.1 Moving away from Oracle Fusion would result in the Council needing to procure a new Financial System. The migration costs would be prohibitively expensive, and there was insufficient time for the necessary procurement, contracting and subsequent system configuration works for such a move to be viable.

Productivity, collaboration and mobile working

4.3.2 The alternative options to Microsoft 365 would be to either continue with the current method of delivering these capabilities, or making a complete change from the Microsoft stack to an alternative platform.

4.3.3 To continue to purchase perpetual licenses for the on-premise - that is, non-cloud - versions of these capabilities would not deliver the following desired benefits:

- Access to mobile version of the applications to enable flexible working
- Access to documents from mobile devices
- Collaboration tools, such as real time collaborative editing
- Communication tools, such as instant messaging and video conferencing

4.3.4 The Council would also not benefit from the new features that are regularly released to M365 subscription customers and would also be required to pay higher sums for other required Microsoft licenses, such as software for our server estate, as M365 customers access cheaper pricing.

- 4.3.5 The closest alternative to M365 would be Googles G-Suite. This would provide the cloud computing benefits and the collaborative tools the Council needs but would not deliver the complete desktop platform of M365. In addition whilst some of the Google collaboration and mobile functionality is as good or better than the Microsoft equivalent, M365 is generally superior in terms of email, productivity, information management and security features.
- 4.3.6 The G-Suite would replace the familiar Microsoft applications (Outlook, Word, Excel, Powerpoint) with alternatives that are only accessible via the web browser. This would involve a significant additional change to the applications that staff are familiar with and would require additional training resource. As the G-Suite alternatives are generally limited in functionality compared to the equivalent Microsoft Office products there would still be requirements in teams across the Council for Microsoft Office applications; for example in finance work where Excel would still be needed. These would also need to be purchased separately.
- 4.3.7 Whilst the headline subscription cost of G-Suite is lower(around £80 per user per year as opposed to £180 for M365) it must be noted that the Google offer is not truly comparable as it does not include Windows 10, for which licenses would need to be purchased at substantial additional cost, nor the other IT management and security tools. In addition and as with the option to continue with perpetual Microsoft licensing discussed above, the Council would also have to continue purchasing other licenses for server and other software at higher prices if we did not have a M365 subscription.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 This recommendation supports all of the Council's strategic aims and corporate plan priorities, as it helps the Council work more flexibility and efficiently using the latest technology available.

However the clearest link is to Corporate Plan priority six, "Ensuring the Council is fit for the future". By investing in new technology and moving our IT workloads to the cloud, we can ensure our IT infrastructure is supporting the Council to work in modern ways.

The financial management system will help the Council remain financially sustainable and will support more efficient and customer friendly payments arrangements.

- 5.2 In terms of sustainability, the increased use of the cloud should have a positive impact on the environment, as the greater scale offered by cloud computing providers, including more advanced and efficient power management within their data centres.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 No community engagement was conducted with the public as this decision focuses on internal ICT which only staff and members have access to.
- 6.2 Consultation undertaken with staff groups has provided significant evidence that they desire more flexible IT that enables them to work from a variety of location on a range of devices, and to work more collaboratively with colleagues and partners.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 An equality impact assessment is not required as there is no evidence or reason to believe that this decision will affect some groups differently than others. There is no public concern about potentially discriminating practices relating to this decision.

8. LEGAL IMPLICATIONS

Financial management system

- 8.2 The contract will be awarded in accordance with the Councils Contract procedure Rules and the Public Contracts Regulations 2016. The Council is directly negotiating with Oracle to achieve the best possible price. Purchasing the licences directly from Oracle is consistent with Regulation 31(2) (b) (2) that permits direct contract award “where the works, supplies or services can be supplied by a particular economic operator for the following reason....(iii) the protection of exclusive rights, including intellectual property rights” Licences to use the Oracle Fusion Financials system are only available from the Oracle Corporation.

Productivity, collaboration and mobile working

- 8.2 It will be necessary to enter into a contract with Microsoft, via procurement through our managed service provider and their partners, within our existing contract with them, to purchase the licenses and operate the software and services legally.
- 8.3 In doing so, it will ensure that the Council is correctly licensed for all the products and services included in the Microsoft 365 Suite.

9. FINANCIAL IMPLICATIONS

Financial management system

- 9.1 We propose to license all of the modules currently in use by the Council and to make that functionality also available to both Brighter Futures for Children and Homes for Reading for a period up to three years.
- 9.2 Options are being explored for potential break clauses within the three year period to support any business transformation plans and to provide the Council with flexibility.
- 9.3 The maximum price quoted for the three year period is £675,000 depending on the conclusion of the break clause negotiation. This presents a favourable price in comparison to the current arrangements, and will deliver a minimum £40,000 saving over a three-year contract period. Our negotiations are seeking to reduce the total price further to deliver the best possible value for money.
- 9.4 The current budget makes adequate provision for this sum.

Productivity, collaboration and mobile working

- 9.5 The cost of 2,000 licences for Microsoft 365 is £360,000 per year. Provision for this is included in the 2018/19 revenue budget.
- 9.6 The implementation costs are subject to a proposal from our managed service provider that will be met from existing revenue and capital budgets..
- 9.7 In addition to the Council wide efficiencies that will be delivered there will be cost savings that can be achieved as part of the rollout of the software, as capabilities present in the Microsoft 365 suite will enable us to cancel other systems and services we are using.