

A Civica Services update

Analyst: Alexander J. Lemon ^{MCP/MCTS}

Introduction & History

Recent communications from Connecting for Health (CfH) and Microsoft confirm that due to the demise of the Microsoft Enterprise Agreement, all NHS entities are now individually responsible for funding, purchasing and management of Microsoft licensing. This has raised serious questions pertaining to entitlement and allocation and will possibly uncover issues around compliance, licence transfers and the management of software licensing moving forward.

The key software licensing changes came into force on the 31st May 2010 and represent a real change in terms of managing Microsoft licensing on an on-going basis. Whereas previously licensing has been managed by CfH, now the onus is on the local organisation without the support, benefits or funding of a centrally negotiated Enterprise Agreement (EA). This means that entities are now solely responsible for procuring required licences moving forward.

This guide is designed to help all entities affected by this fundamental shift to understand what has happened, what it all means and where to go from here.

Table of Contents

Introduction & History	1
Buying Solutions and the PSA09 agreement.....	2
So what is special about Buying Solutions?.....	3
PSA09 (Public Sector Agreement 2009)	3
Connecting For Health Licence Allocation.....	4
Overview	4
The Transfer	5
The aim moving forward.....	5
Risks.....	6
Non – compliance	6
Long-term.....	6
Windows 'Home Edition'	6
Your Questions Answered.....	8
About Civica Services.....	9
Recommendations.....	9
Next actions	9
Appendix A: Cabinet Office Press Release 24 th May 2010.....	10
Appendix B: Overview Licensing Guide.....	12



Buying Solutions and the PSA09 agreement

The preferred route for all entities to procure Microsoft licensing moving forward will be utilising Buying Solutions. Buying Solutions was born out of the Office of Government Commerce (OGC) and is the only Professional Buying Organisation (PBO) with a national footprint.

Buying Solutions now forms part of the Cabinet Office and the newly formed Efficiency and Reform Group that has been tasked with helping the public sector achieve the £6.2 billion of spending cuts announced by the Chancellor. The board is chaired jointly by the Chief Secretary to the Treasury, David Laws, and the Minister for the Cabinet Office and Paymaster General, Francis Maude.

Buying Solutions therefore represents one of the most legitimate routes of procurement available.

Operating under 8 core categories including ICT, there are actually 6 framework agreements in the ICT sector. The 6 Frameworks are detailed in figure 1 below.

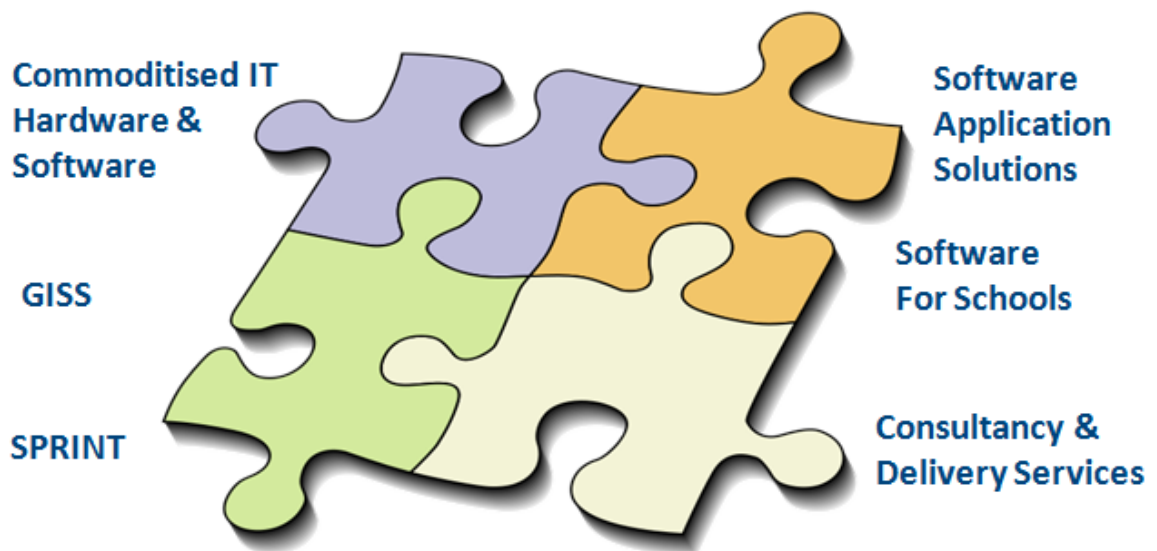


Figure 1: Information Technology Frameworks under Buying Solutions

Civica have been awarded supplier status on two of these, IT Managed Services and CITHS (Commoditised IT Hardware and Software). Under CITHS there are 3 lots, Hardware, Peripherals and Software. Entities are being advised by CfH that they should look to procure Microsoft software and related services under Lot 3 (Specialist Channel Partner for Software).

Trusts have the ability to legitimately choose one or more of the suppliers under Lot 3 and the primary supplier will then help transfer all the Licences allocated by CfH, probably via a Microsoft Select enrolment (as Microsoft are still working on the process for Select +) and maintain this procurement vehicle moving forward serving both day-to-day purchases via catalogue comparison and larger purchases such as Enterprise Agreements via a Capability Assessment and Invitation To Quote (ITQ) process.



So what is special about Buying Solutions?

There are a couple of areas that are worth noting on Buying Solutions (CITHS in particular) as to why entities should procure under the framework. The first is that all 10 successful suppliers have been through a rigorous vetting process and have agreed to strict terms and conditions that limit the amount of profit they can make on what you procure, this in itself does two things for customers;

- Ensures entities always get a fair price for software products and
- Puts the emphasis on value added service

In reality this means that if entities do decide to go to ITQ for product only then it is likely that all bids are likely to cost within 0.5% of each other as Buying Solutions have already negotiated favourable terms for the whole of the public sector (see PSA09 below), indeed Civica has even had instances where there has been no differential on price across all bidding suppliers thus moving award criteria completely away from price. What will differ then are the 'services wraps', the value and support that individual suppliers are willing to provide and the framework has been designed to provide competition in this respect. Overall this approach allows you to pick a supplier based on a trusted advisor relationship and, by way of competition, guarantee on-going best value thus limiting procurement costs, especially around transactional items.

There is a final caveat on supplier Terms and Conditions. Each individual supplier's contractual obligations are based on what that supplier said they would offer when they tendered (and were awarded) for the framework contract. This means that if a supplier scored very high overall but was weak in an individual area such as returns or response times (SLA) then that is what the supplier is contracted to deliver. Therefore it is always worth investigating this when choosing your primary supplier.

PSA09 (Public Sector Agreement 2009)

In 2009 Buying Solutions went through a lengthy negotiation with Microsoft in order to deliver a public sector-wide agreement which is called PSA09. Having listened carefully to all organisations including local government, central government, education and MOD this agreement has been designed not only to offer best pricing but significant flexibility in the way it allows public sector organisations to purchase. PSA09 is, as a direct result of its flexibility more complex but it does provision certain advantages that have never been possible before for example;

- The ability to true-down on an Enterprise Agreement
- Unlimited 'Server Plus' option
- Licence transfer capability across all participating organisations to enable better re-cycling
- Highly competitive subscription based licensing models
- Ability to purchase different office versions (Standard / Pro etc.) under an EA

It would not be possible in the confines of this document to give a complete rundown on PSA09. However utilising good SAM (Software Asset Management) practice in partnership with your chosen Buying Solutions supplier should enable entities to choose and maintain the most cost effective licensing solutions moving forward.



Connecting For Health Licence Allocation

Overview

Connecting for Health (CfH) has a finite number of Microsoft licences that are currently held centrally and owned by them under the provision of the previous Enterprise Agreement (EA). These licences were going to be allocated out to individual entities based on the allocation each entity asked for and the percentage accuracy trusts specified.

The finite number of licences available varies for each different product but was based on an enterprise estate totalling 877,000 qualified desktops under EA rules. There were also a number of subscription services and benefits which are detailed in Appendix B.

CfH will only be able to allocate licences to entities based on what is available. This is not, as many believe unlimited although if there is a major difference CfH may now 'true-up' the differential with Microsoft as they do not want to transfer a problem to individual trusts. As such CfH are now going to ask all entities to fill in a final survey validating software allocation requirements. This is due to be sent out on Friday 17th September.

Although CfH wish is to provide enough desktop licenses, (remember all entities are and have always been responsible for compliance on server estates) what will not be acceptable is for entities to take a safe rather than sorry approach of asking for slightly more than might be needed, which could cost CfH dearly. As such they will be asking entities to provide details of how they have reached the requested numbers and comparing this to previous requests and the percentage accuracy submitted to determine a true-up figure with Microsoft if one is then required. (CfH, or Microsoft may ask for copies of procurement records, inventory data and or asset registers to validate volumes further).

Please note that although this is good news after all the speculation of there not being enough desktop licenses to go around, it does not mean that entities will receive all the licences required in sufficient quantities to maintain existing levels of service, or to complete planned / proposed upgrades and projects as these could well be determined by functionality from subscriptions and prior EA benefits, nor does it constitute any form of software compliance either.

Accurately understanding and combining the central allocation and existing entitlement entities own from local volume licensing, OEM (Original Equipment Manufacturer) and FPP (Fully Packaged Product) with appropriate upgrades and downgrades reconciled will need to be understood fully before a true licence entitlement picture at a local level can be obtained. No entity will be able to effectively manage its compliance locally on an ongoing basis without completing this reconciliation.



The Transfer

All Licences currently owned by CfH need to be transferred to individual entities. There is a formal transfer process requiring entities to pick a preferred supplier, effectively one of the nine Large Account Resellers (LAR) such as Civica, that is recognised under the Buying Solutions Commoditised IT Hardware and Software (CITHS) framework under LOT3 (specialist Channel Partner for Software). The LAR and Microsoft will help complete the transfer to local ownership.

Once this transfer of entitlement is complete, NHS entities (and Microsoft) will, for the first time in many years, be able to accurately see what Licences are owned!

Civica have been informed by CfH that if individual entities wish to be reminded of their previous allocation submissions they can request release of this information in writing directly from CfH, this may help in understanding needs for projects currently in planning or delivery and requiring certain licensing and functionality. Civica can help here if required.

One area that hasn't really been taken into account is that typically estates are not static and there could have been significant movement in size as well as deployment so please review and update results accordingly.

All entities will need to return the revised survey by 1st October, giving only two weeks to complete. This timescale is on the basis that all entities should have had sufficient time to validate the numbers already supplied. The consequences of not completing this on time will be a). Entitlement will revert back to the previous request and b). CfH will share this information (including numbers) with Microsoft to conduct further needs analysis that could involve far more in depth scrutiny and put a strain on internal resources.

The aim moving forward

The good news, in terms of software asset management is that individual trusts will now own the Microsoft licences moving forward making compliance and management much easier and allowing greater flexibility. This is offset by the fact that any future requirements will have to be funded by the individual entities themselves increasing the burden on the already strained IT budget.

The increased strain will drive the need for individual entities to get the most out of entitlement and effectively 'sweat assets' for at least 3 maybe 5 years. Knowing what assets you are currently licenced for, what is deployed, to what version, what functionality is being used and what will be required to deliver future budgeted projects becomes of paramount importance as well as providing excellent cost saving potential. Only when all of these are combined together can they form the basis of a rudimentary SAM strategy.



Risks

Non – compliance

It looks like there will be enough desktop licenses to go round but there may not be enough server licences allocated and without the EA subscription and benefits packages entities compliance obligations will definitely be hindered moving forward. Microsoft will be keen to highlight areas that in their mind need work and 'help' organisations baseline their assets and meet compliance obligations. This will either be achieved directly or through the Buying Solutions Gold SAM Competency holding partners.

In addition, once the transfers are complete Microsoft will have a complete picture in terms of licence entitlement, however the true requirements and usage of the individual NHS entities will not be clear and this may require NHS entities to spend additional money to achieve a validated compliant position, locally purchasing licence differentials using unbudgeted spend.

It is also worth noting that true compliance will only be achieved if it is validated (which Microsoft will of course rightly ask entities to prove), especially as this right is contractually part of all Volume Licence Agreements and now intrinsically forms part of an EA annual true-up - should this be purchased collectively or individually.

Long-term

With no additional budget to purchase, manage and maintain licences moving forward the question remains how entities will get the most out of existing assets. This will depend on individual entities ability to make the PSA09 system work, for example by re-cycling software.

Remember, the ability to upgrade to later Microsoft products like Office 2010 is available already to all entities that are provided licences by CfH under this allocation process up to the latest version available at the time the EA agreement finished.

Software Asset Management (SAM) will play a crucial part in future strategy as, with an appropriate SAM strategy, entities will be able to make significant cost savings of around 30% against the software budget which is inline Gartner and ITAM review statistics.

Mature Microsoft Gold or soon to be called Advanced Competency SAM specialists (includes Civica) have the skill to identify cashable cost savings now and on an ongoing basis and even document when savings hit cash flow so it will be vital to take advantage of this in order to continue to provide 'more for less'.

Windows 'Home Edition'

The EA included the provision to upgrade desktop operating systems. This ability, under an EA, requires a 'qualifying base Licence'. 'Home Edition' versions supplied with a machine (OEM) ***do not*** constitute a 'Qualified Desktop' for this upgrade. It is a common belief that an EA provides Windows licences, this is not the case, it actually provides a valid upgrade licence and re-imaging rights.

CfH and Microsoft have uncovered an issue that relates back to an exception granted under the previous EA in 2006 / 7 where it seems that a high number of machines with Home Edition licences have been supplied but only 40,000 were actually allowed. It is believed that this could affect up to 150,000 devices and cost as much as £10m to rectify.



If 'Home Edition' OEM licences have been used or upgraded then these Licences will need to be replaced. Either a full operating system Licence will need to be purchased or (if an organisation goes through the SAM Program) a concession to use the GGWA (Get Genuine Windows Advantage) SKU (this can only be used once and must be validated / authorised by the Microsoft SAM Team) will be allowed which is vastly cheaper.

There is also a further concession on the GGWA SKU in that if the purchase is completed before the end of September a further discount is available, which has been negotiated by CfH.

Because 'Home Edition' was allowed on a finite number of 40,000 devices purchased between November 2006 and December 2007 there will be some CfH licence allocation to request, so if you believe your organisation could be affected then we strongly recommend you contact us as soon as possible and the survey will ask about this.



Your Questions Answered

I have fielded a large number of questions from our NHS customer base in the last few weeks; below I have answered the top 5.

<u>Question</u>	<u>Answer</u>
Will we be able to sign an individual Enterprise Agreement moving forward?	The simple answer is yes! However this will of course be down to individual budget. Given that entities will have the rights to the latest product versions (as at the end of the central EA) then the reasons for doing this will need to be around the ongoing requirement of subscription and other EA benefits.
If we choose to sign an EA moving forward will we be able to sign as an SA renewal only?	Yes! However any SA only EA renewals would effectively start from the finish of the old EA agreement namely June.
Is there an alternative to a Microsoft Enterprise Agreement?	Yes! PSA09 provisions for different types of agreement for example Microsoft are keen to promote the Enterprise Subscription option which is likely to prove cheaper than even an SA only renewal with the advantage of not requiring the CfH allocation in order to move forward.
Will we be able to sign a component only EA or does it need to reflect the original EA product provision?	Yes! You will be able to sign a component EA for example core CAL only. Again the proviso will be that if it is SA only (much more cost effective) then it will effectively start from June 2010.
Will Microsoft look to audit individual entities to ensure Licence compliance, especially given the \$100m hole in their budget next year?	<p>Yes and No! There are approximately 500 entities affected by this change. Microsoft will not look to audit / review every entity as they do not have the resource and nor would it project the right message.</p> <p>The reality is that Microsoft will be able to obtain a good idea of local licence entitlement and therefore who is likely to be compliant and which organisations need support.</p> <p>Support will be offered both directly and through the LAR community via the Microsoft SAM Program (See recommendations) and general compliance and SAM competence assessed during the survey stage.</p> <p>EA's will now include the provision for an annual baseline (annually reconciled as part of the true-up/down) so if you wish to enter into an EA then your LAR should be including this - if they have the Gold SAM competency (worth checking) or are partnering with a SAM Gold partner in order to deliver this as part of the contract.</p>

Ongoing updates and clarification will be provided on the Civica Services Website: <http://www.civicaservices.co.uk/default/index.cfm/buying-solutions/nhs/> and you can sign up to our monthly email newsletter by emailing info@civica.co.uk.



About Civica Services

Civica has a long standing relationship with the NHS, and is an experienced and trusted Microsoft 'Advanced Competency' Software Asset Management ([SAM](#)) and Gold Certified Large Account Reseller.

Civica is well placed to help individual NHS entities achieve the required transfer and check that the software assets being transferred are sufficient for current use and for planned projects moving forward.

Civica are able to highlight areas where there are tangible cost savings and help mitigate compliance risk.

Moving forward Civica will also help entities build and maintain a SAM strategy, ensure ongoing compliance and, as a trusted advisor, plan and budget for the future.

Recommendations

Without the transfer of licences being complete, it would be wrong for Civica to recommend a particular course of purchasing action or long term strategy. In particular the purchase of an EA, subscription or other agreement moving forward (despite there being some excellent and innovative options) could prove hard to justify. The main reason for this is that until the allocation is allotted and licence transfers completed then it is impossible to prove that procurement and IT teams have made a fully informed decision.

Our main recommendation is to complete a full Software Asset Management assessment which should include a validated baseline (Effective Licence Position) and SAM maturity assessment. Once this data is available then a full analysis of options can be assessed leading to a fully justifiable and informed decision that will not only stack up today but in the medium and long term.

It is also important to note that the data (baseline and SAM maturity level) should not constitute the end result of this exercise, the end result (deliverable) from your chosen partner should be the report and recommendations for the most cost effective routes on how to purchase, manage, maintain software licensing on a local level moving forward. As the very least it should include a detailed cost / benefit analysis of all the options.

If your organisation would like help in completing the survey to ensure peace of mind then Civica will also offer this assistance.

Next actions

Contact Civica to speak to either your dedicated Account Manager or myself, we will be able to support and appraise your individual situation.

Sign-up for the Civica NHS newsletter to keep track of the latest information and required actions, which you can do via the website or info@civica.co.uk



Appendix A: Cabinet Office Press Release 24th May 2010

Cabinet Office and Treasury to Join Forces to Drive Out Waste

CAB 069-10

24 May 2010

As part of the Government's drive to achieve the £6.2 billion of spending cuts announced by the Chancellor this morning, a powerful new joint Treasury-Cabinet Office group will be set up to ensure savings across Whitehall and Arms Length Bodies happen quickly.

The savings will be driven by the Efficiency and Reform Group, whose board will be chaired jointly by the Chief Secretary to the Treasury, David Laws, and the Minister for the Cabinet Office and Paymaster General, Francis Maude. The Group, which will be formed by pulling together existing capabilities, will have the power to make sure departments work together to tackle waste and improve accountability across a range of areas, including ICT spend, procurement, advertising and marketing spend, and Civil Service expenses and recruitment.

The group's first priorities, with immediate effect, will be to:

- Conduct centralised procurement for commodity goods and services to drive down prices;
- Implement an immediate freeze on all new ICT spend above £1 million;
- Review the Government's biggest projects, including ICT projects, to see where costs can be reduced or wasteful projects stopped altogether;
- Start renegotiating contracts with major suppliers across Government to reduce costs;
- Freeze all new advertising and marketing spend. Only essential campaigns will be allowed;
- Freeze on all new consultancy spend unless it is an operational necessity. Where spend is proposed, Ministerial sign-off will be required for £20,000 or above;
- Cut spend on Civil Service expenses, including a clamp down on first class travel and on the number of Government cars;
- Freeze Civil Service recruitment, except in important front line and business critical areas, and significantly cut the number of temporary staff;
- Conduct an immediate review to create a more simplified approach to Civil Service pay structures and terms and conditions;
- Implement a programme to simplify HR functions across Whitehall and, wherever possible, eradicate duplication; and
- Stop the signing of any new property leases or lease extensions unless they are approved centrally.

Minister for the Cabinet Office Francis Maude said the group will ensure there is a stronger central push driving through the efficiency savings:

"We have got to get an immediate grip on Whitehall waste if we're going to tackle this unprecedented £156 billion deficit quickly, while protecting the quality of important front line services and getting the economy growing. Good government can cost less. It won't do just to carry on as before. By joining forces and concentrating our efforts where the money actually gets spent, we can make sure the maximum amount gets taken out of government overheads, not front line services."

The Group will be chaired by the Chief Secretary to the Treasury and the Minister for the Cabinet Office and will include other members with specialist commercial expertise.



Note to Editors

The Efficiency and Reform Group will be comprised of existing civil servants from across Whitehall, and will be located within existing premises with no impact on departmental budgets.

Departments will be expected to generally apply these approaches to the public bodies which they sponsor, although there may be some exceptions in particular circumstances.

Freezes will apply to the 10/11 financial year.

Cabinet Office Press Office
22 Whitehall
London SW1A 2WH

Tel: 020 7276 0436 – Fax: 020 7276 0400

www.cabinetoffice.gov.uk

Out of hours telephone 07699 113300 and ask for pager number 721338



Appendix B: Overview Licensing Guide

In terms of entitlement and benefits a quick guide is provided by Microsoft at www.microsoft.com/nhs but here is a brief overview.....

Qualifying desktops

Refers to the infrastructure (pc's/devices) that can make use of the perpetual rights of the terminated EA. Entities will be assigned a number of Licences from CfH. Newly refreshed pc's can use the perpetual rights of the EA, but cannot use the Enterprise edition of the operating system. If you have more pc's / devices than the allocation gives, then this would represent a Licence shortfall. It is also worth checking to see if any qualifying Licences have been purchased separately under any existing Select or Open licensing agreements that could now be utilised, and added to your CfH allocation.

Enterprise CALs (ECALs)

E-CAL's are a suite of Client Access Licences (CAL's) that are required for access to specific servers, and that enable specific functionality. There will be a very limited allocation for these and this could also result in Licence shortfalls. For example if you are using certain functionality including OCS (Instant Messaging), Forefront, SharePoint Enterprise and Exchange Enterprise, then you must have sufficient E-CAL licences allocated to you to continue the use of these server products. If you do require further licensing to maintain existing services Microsoft will require a prompt order to cover the difference between allocated licences and current usage.

VOIP usage in OCS

If you are using Voice over IP (VOIP) functionality under Office Communications Server (OCS) and you require this to continue to the next version then it is worth investigating Software Assurance (SA) on E-CAL to obtain the rights for the new OCS voice CAL.

Software Assurance (SA) benefits

The EA covered all devices for Software Assurance (SA) benefits and as such all SA benefits have now expired due to the end of the current EA. This could change the way in which some of the software can be used. This includes the following;

Microsoft Desktop Optimisation Pack (MDOP): MDOP is a subscription licence and any customers who are using any of the MDOP technologies will need to either remove them or purchase licensing individually.

Enterprise operating systems: rights to further deploy Vista Enterprise and Windows 7 Enterprise edition have now expired and customers upgrading to Windows 7 will not be able to use the Enterprise edition but can still deploy Windows 7 Professional (if replacing a current PC and within the allocation). If you have already deployed Windows 7 Enterprise, then entities can continue to use these machines, but not the Virtualisation Use rights (running 4 local virtual machines), which is an SA benefit.

Training vouchers: are no longer available.

E-learning: is no longer available but Microsoft are working on an alternative.

Microsoft DDPS/SDPS consulting days: these have all now been used so contact your LAR to help and support you moving forward.



The Future of Microsoft Volume Licensing within the National Health Service
227/09/10civcon-serv

24x7 phone and web support: rights expired.

Multi-language options: rights expired and MUI packages in standard builds should be removed or SA purchased.

Windows Virtual Desktop Access and Office Roaming Use Rights: must be disabled as they are also an SA benefit.

Microsoft has been keen to highlight that it is not possible to upgrade Windows Home Edition for corporate use (since 2006). Entities with PC's on this base licence will have to purchase base operating system licences.

