

3 Presentation of officer reports

3.1 Contract No. 2020/47 Microsoft Enterprise Licensing Agreement Renewal

Abstract

This report seeks Council approval to award Contract No. 2020/47, Microsoft Software Agreement and Microsoft Licencing Partner to Data#3 Ltd. This contract will facilitate the supply of a range of Microsoft Licences for a three year period from 1 October 2019 to 30 Sep 2022.

The cost of this contract in 2019/20 is \$378,086 including GST (i.e. \$343,715 excluding GST) and has a budget allocated in accordance with Council's current adopted budget. Expenditure in future years will be in accordance with approved budget allocations, with a total cost of \$1,157,749 including GST (i.e. \$1,052,500 excluding GST) across the three year term.

Confidential information is contained in **Attachment 1**, as circulated in the confidential section of the agenda attachments, in accordance with Section 89(2) of the *Local Government Act 1989*, as the information relates to contractual matters and premature disclosure of the information could be prejudicial to the interests of Council or other persons. This item has been included in the public agenda to facilitate transparency and accountability in Council's decision making.

If discussion of the confidential information in the attachments to this report is required in order for Council to make a decision, this item will be deferred to the confidential section of the agenda.

Officers' recommendation

That the Services Special Committee resolve to:

1. Award Contract No. 2020/47 Microsoft Software Agreement and Microsoft Licencing Partner to Data#3 Ltd (ABN 31 010 545 267) to establish a new Microsoft Enterprise Licensing Agreement for a three year period at a cost of \$1,157,749 including GST. The total cost to Council after the return of the GST Input Credits is \$1,052,500.
2. Note that expenditure under this contract in 2019-2020 is in accordance with Council's adopted budget and expenditure in future years will be in accordance with the approved budget allocations.
3. Authorise the Director Customer Experience and Business Transformation to execute the contract documentation on behalf of the Council.

Responsible director: Bruce Dobson, Director Customer Experience and Business Transformation

1. Purpose

To seek Council approval to award Contract No. 2020/47 to Data#3 Ltd to establish a new Microsoft Enterprise Licensing Agreement for a three (3) year period.

2. Policy implications and relevance to community plan and council plan

The procurement was undertaken through the Municipal Association of Victoria (MAV) Panel Contract MS4333/2017 for Microsoft Licensing Solution Providers, satisfying the requirements of Section 186 of the Local Government Act 1989. It also complies with the requirements contained within Council's adopted Procurement Policy.

Establishing the proposed contract is aligned with:

- Council Plan 2017-21:
 - Strategic Objective 19, "Financial Management"
- Boroondara Community Plan 2017-27:
 - Strategic Objective 7 to "Ensure that ethical, financial and socially responsible decision making reflects community needs and is based on principles of accountability, transparency, responsiveness and consultation".
- ICT Strategy 2019-2024:
 - ICT Objective IO-2: Cost Effective and Value for Money
 - ICT Objective IO-5: Easy to Operate and Support
 - ICT Objective IO-7: Innovative and Adaptable

3. Background

Council's current Microsoft Enterprise Agreement (EA) will expire on 30 September 2019. Microsoft EA's are valid for a three year term only, with no option to extend on the same terms or for a shorter duration. With Microsoft products used extensively across Council, a new agreement with a new three year term needs to be established for Council to retain the financial and product support benefits associated with licensing Microsoft products in this way.

Council is able to leverage the Municipal Association of Victoria (MAV) Panel Contract MS4333/2017 for Microsoft Licensing Solution Providers to obtain quotes for the Microsoft licenses, satisfying the requirements of Section 186 of the Local Government Act. Through this panel, Council is able to access levels of discount beyond those available via a non-panel arrangement.

4. Outline of key issues/options

Procurement Options:

The following options were assessed for the procurement of Microsoft Licenses.

Option 1 – Renew the EA based on Enterprise Enrolment Model

This scenario commits Council to a three year agreement.

Key elements of this option are:

- Council would be locked into the current pricing structure for three years
- Initial license numbers are agreed at the start of the three years - numbers can only be increased each year not reduced.
- As our technology landscape changes to Cloud and on-line services, Council would effectively need to pay for Cloud service licenses in addition to the current licenses, resulting in additional cost.
- This option will cost \$1,100,846 (excluding GST) over three years. It is less flexible and more expensive than the alternative Enterprise Subscription Enrolment Model Option (as outlined in Table 1 below).

This option is therefore not recommended.

Option 2 – Renew the EA based on Enterprise Subscription Enrolment Model

This scenario commits Council to a three year agreement.

Key elements of this option are:

- Provides the ability to increase or decrease license numbers each year.
- Provides the flexibility required to cover projected changes in technology e.g. consolidating or moving services to the cloud will lead to a reduction in sever and database licenses required.
- Pricing is adjusted annually based on current requirements. Agreed discounts remain in place to protect against future year pricing fluctuations.
- This option would cost \$1,052,500 (excl. GST) over three years leading to a saving of \$48,346 over the Enterprise Enrolment Model (as outlined in Table 1 below).

This Option is therefore recommended.

Three Year Cost Summary

Agreement Option	YEAR 1		YEAR 2		YEAR 3		TOTAL 3 YEARS	
	excl GST	incl GST	excl GST	incl GST	excl GST	incl GST	excl GST	incl GST
Option 1: Enterprise Enrolment	\$333,329	\$366,662	\$333,329	\$366,662	\$434,188	\$487,133	\$1,100,846	\$1,220,457
Option 2: Enterprise Subscription*	\$343,715	\$378,086	\$343,715	\$378,086	\$365,070	\$401,577	\$1,052,500	\$1,157,749

Table 1

* Recommended Option

5. Consultation/communication

The following stakeholders have provided input and/or been consulted with in the preparation of this report:

- Chief Information Officer
- Chief Financial Officer

6. Financial and resource implications

The costs associated with renewing the Microsoft Enterprise Agreement are allowed for within existing operating budgets.

7. Governance issues

The implications of this report have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities.

The officers responsible for this report have no direct or indirect interests requiring disclosure.

8. Social and environmental issues

There are no direct social or environmental issues in the outcomes of the actions outlined in this paper.

9. Evaluation and review

The evaluation report is provided as **Confidential Attachment 1**.

The evaluation panel recommends that Council award Contract No. 2020/47 Microsoft Software Agreement and Microsoft Licencing Partner to Data#3 Ltd (ABN 31 010 545 267) for a three year term . The contract cost for the term is \$1,157,749 including GST. The cost to Council after the return of the GST Input Credits is \$1,052,500.

Manager: Haydon Sampson, Chief Information Officer

Report officer: Delwyn Pannett, IT Operations Manager