



14.1 **MICROSOFT LICENSING AND SERVICES CONTRACT**

EXECUTIVE MEMBER: **CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND CORPORATE SERVICES**

PREPARED BY: **ROD APOSTOL, BUSINESS TECHNOLOGY MANAGER**

1. PURPOSE

- 1.1 To present the report of the Tender Evaluation Panel for Tender 2161 Microsoft Enterprise Agreement and Services and recommend the awarding of the contract to Data #3 Limited for a three (3) year period commencing 1 October 2018.

2. EXECUTIVE SUMMARY

- 2.1 Like many businesses and households, Council uses a range of Microsoft products in its provision of technology services. Council is obliged to correctly license software applications in use by the organisation to meet the Terms of Use for Microsoft products.
- 2.2 Council's current Microsoft Agreement contract, will expire on 30 September 2018. Microsoft agreements are valid for a three (3) year term only, with no option to extend.
- 2.3 Council approached suppliers of the MAV procurement panel for Microsoft licensing in July 2018 to leverage the combined purchasing power of Victorian councils to achieve better value on products and services. Microsoft's business model requires Local Government customers to engage through the Licensing Partner community to procure and maintain product licensing and as such do not engage directly with customers for licensing agreement transactions.
- 2.4 The outputs of this Contract allow continual use of Microsoft Products which are a core element of our Information and Communication Technology environment. The preferred option is to award the contract to Data #3 Limited. The new Microsoft contract will officially begin on 1 October 2018 for a term of three years. The projected total contract value equals \$2,135,470 excluding GST over three years. This is within budget for this cost category.



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3. RECOMMENDATION

That Council:

- 3.1 Awards Data #3 Limited the Microsoft Enterprise Agreement and Services contract 2161 to provide licensing and associated services to Council for a three (3) year period commencing 1 October 2018 through to 30 September 2021
- 3.2 Notes that the total contract value equals \$2,135,470 excluding GST over three (3) years.
- 3.3 Affixes the Common Seal of the Port Phillip City Council to Contract No. 2161 between Council and Data #3 Limited.

4. KEY POINTS/ISSUES

- 4.1 The Municipal Association of Victoria (MAV) has established procurement panel contracts to leverage the combined purchasing power of Victorian councils to achieve better value on products and services.
- 4.2 Council invited suppliers of the MAV procurement panel for Microsoft licensing on 6 July 2018 receiving responses by 23 July 2018.
- 4.3 The specification requested the following key outputs:
 - 4.3.1 Provision of Microsoft licensing products under specified agreement types aligned with the Council Plan and Information and Communication Technology Strategic Plan
 - 4.3.2 Licensing consultancy and profession services to assist council to extract the maximum value from such an agreement and from Microsoft Australia.

The composition of the Response Evaluation Panel is shown in Table 1 below.

Table 1. Composition of Response Evaluation Panel	
Name	Title
Rod Apostol, Manager Business Technology	Chairperson
Kate Raulings, Coordinator Digital Engagement and Innovation	Member
Kate Cornwall, Senior Contracts Advisor	Member

All Panel members signed the standard form indicating they had no conflict of interest to declare.

- 4.4 Prior to approaching MAV panel suppliers, evaluation criteria were established and an evaluation plan was developed to summarise the evaluation approach for reviewing responses. The evaluation criteria and weightings are detailed in Table 2 below.



Table 2. Response Evaluation Criteria	
Criteria	Percentage Weighting
Price	60%
Capacity to meet the requirements of this specification	40%

- 4.5 All MAV panel suppliers provided responses, each of which is qualified by Microsoft Australia to provide the required agreements for Council.
- 4.6 All financial analysis of responses was conducted in consultation with Council's financial management accountant. For the financial evaluation, MAV Panel suppliers were asked to provide a percentage mark-up (margin) to be applied to Microsoft licensing, noting that all suppliers receive the same pricing from Microsoft. Details of the applicable margins received are shown in Table 3 below.

Table 3. Responses Received		
No.	Tenderer's Name	Margin Applicable
1	Data #3 Limited	0.75%
2	Response B	0.79%

- 4.7 An initial assessment was undertaken by the evaluation panel to evaluate the price component. Upon initial review, it was evident that the comparison of the pure margin alone made price comparison difficult. It was agreed by the evaluation panel to use base costs from Microsoft and apply the submitted margins to this baseline cost to ensure even comparability. These figures are shown in Table 4.

Table 4. Calculated Sum Price		
No.	Tenderer's Name	Projected Total
1	Data #3 Limited	\$2,135,470
2	Response B	\$2,182,650

The weighted scores inclusive of price and qualitative evaluation criteria are shown in Table 5.

Table 5. Weighted Scoring		
No.	Tenderer's Name	Score (out of 1000)
1	Data #3 Limited	880.00
2	Response B	827.03



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- 4.8 No interviews were deemed necessary as suppliers had already been pre-approved through the MAV procurement process. Statements provided on supplier's capacity to deliver were reviewed as part of the evaluation process.
- 4.9 Panel members agreed that Data #3 Limited is the preferred supplier and offered best value to Council for the following reasons:
- 4.9.1 Their overall proposal to deliver the specified outputs was excellent and demonstrated a very good understanding of Council's needs.
 - 4.9.2 They demonstrated strong technical capability in Microsoft licensing and are currently managing the Microsoft Licensing agreements for many Victorian Councils of similar size and complexity
 - 4.9.3 A depth of understanding of the Local Government domain and how licensing agreement constructs are formed and managed in this sector
- 4.10 Reference checks were conducted. All referees for Data #3 Limited provided confirmation of Data #3's responsiveness as a service provider, spoke highly of the quality of advice provided and excellence in managing the contract and advice provided to their businesses. All will engage again with Data #3 when further services are required.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 Not Applicable

6. LEGAL AND RISK IMPLICATIONS

- 6.1 Council is obliged to correctly license software applications used by the organisation to meet the terms of use for Microsoft products. Data #3 Limited is well resourced with experienced personnel and this should ensure that Council avoids risk that may lead to financial loss or have a negative impact on the Council's reputation.
- 6.2 Data #3 Limited maintains insurance of \$20,000,000 for public liability and \$10,000,000 for professional indemnity.

7. FINANCIAL IMPACT

- 7.1 The expected gross cost of using the preferred supplier over the next three years is \$2,135,470 excluding GST.
- 7.2 The response from Data #3 provides the best value proposition for Council.
- 7.3 A standard financial evaluation was conducted of the preferred supplier. A report prepared by Council's Financial Compliance Accountant highlighted the capacity of the preferred supplier to provide the service in accordance with Council's requirements.

8. ENVIRONMENTAL IMPACT

- 8.1 Not Applicable.

9. COMMUNITY IMPACT

- 9.1 Not Applicable.



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10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

10.1 Strategic Direction 6: Our commitment to you

The outputs of this Contract allow continual use of Microsoft Products which are a core element of our Information and Communication Technology environment. As such it supports delivery of all Council objectives.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

11.1.1 The contract between Council and the successful supplier will be executed as soon as practicable following the Council meeting on 6 September 2018.

11.1.2 Council staff will work with the successful supplier to ensure all relevant documentation required by Microsoft is completed and submitted with time for processing by both the tenderer and Microsoft.

11.1.3 The new Microsoft contract will officially begin on 1 October 2018 for a term of three years.

12. COMMUNICATION

12.1 TIMELINE

12.1.1 Contract documentation shall be prepared and forwarded to the successful supplier for execution.

12.1.2 Unsuccessful respondents will be notified and offered a debrief.

13. OFFICER DIRECT OR INDIRECT INTEREST

13.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

TRIM FILE NO: 48/04/43

ATTACHMENTS Nil