

CT7369 – Microsoft 365 Licensing Agreement State Purchase Contract DPC-ICT-04-2020

Report Author: Manager Information Services

Responsible Officer: Director Corporate Services

Ward(s) affected: All (All Wards);

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

Confidential information is contained in Attachments 1 & 2. This information relates to contractual matters and contains commercially sensitive information.

Any disclosure of the information included within the confidential attachment to this report could be prejudicial to the interests of the Council or other parties. If discussion of this information is required, the Council is recommended to resolve that the item be deferred to the confidential section of the agenda when the meeting is closed to members of the public in accordance with Section 3(1)(g)(i)(g)(ii) of the *Local Government Act 2020*.

SUMMARY

This report seeks approval to appoint a provider for the provision of Microsoft Licensing in accordance with the Department of Premier and Cabinet (DPC) State Purchase Contract DPC-ICT-04-2020 that complies with Section 108 of the Local Government Act 2020, specifically:

- CT7369 – Microsoft 365 E5 Licensing contract with vendor Data#3 to the value of \$1.78 million (ex-GST).

RECOMMENDATION

That

- 1. Council accepts Department of Premier and Cabinet's Whole of Victorian Government Microsoft Licensing State Purchase Contract DPC-ICT-04-2020, starting on 1 January 2024 for a period of two years and three months, which aligns to the Department of Premier and Cabinet contract end-date of 31 March 2026.**
- 2. The Director Corporate Services be delegated the authority to sign the contract documents CT7369 – Microsoft 365 Licensing Agreement with vendor Data#3, as Council's incumbent Microsoft licensing provider.**

- 3. The Director Corporate Services be delegated authority to extend the contract term in line with any amended terms proposed by Department of Premier and Cabinet.**
- 4. The confidential attachments to this report remain confidential indefinitely as they relate to matters specified under Section 3(1)(g)(i),(g)(ii) of the Local Government Act 2020.**

RELATED COUNCIL DECISIONS

Council's current Microsoft licensing arrangements are provided under a contract with Data#3 which expired in March 2023.

DISCUSSION

Purpose and Background

This report seeks approval to appoint a provider for the provision of ongoing Microsoft Licensing services, in accordance with the DPC State Purchase Contract - Whole of Victorian Government Microsoft Licensing Head Agreement. Council's Information Services department have led this process to ensure that it meets the Council's Microsoft Licensing needs.

At present, Council uses vendor "Data#3" for the supply of Microsoft licenses. These licenses are a requirement to supply each Council employee with a basic computer setup (operating system, Office 365 productivity suite and software-based telephony).

Furthermore, Council currently operates a telephony software platform called "Skype for Business" (SFB) which is the core system of the external Contact Centre as well as Council's internal phone system. This software was retired in July 2021 by Microsoft and is no longer supported.

This poses a major risk to Council as software patches are not available for the platform anymore and in the event of a major system fault, it has the potential that the service cannot be recovered. A migration to the replacement Microsoft Teams platform will require a change to current licensing arrangements, which would incur additional licensing costs to ensure operational compliance.

Council's agreement with Data#3 expired in March 2023. Also, in March 2023, the Victorian State government (DPC) established a new price book which made pre-negotiated Microsoft license discounts accessible to all Victorian government agencies. Council is now requested to approve a new contract with Data#3 under the provisions of the DPC head agreement.

This new agreement would provide upgraded E5 licenses that give Council the opportunity to replace its telephony system to a supported platform, access additional features in the Microsoft product suite, improve customer service, simplify overall software license management, automate repetitive tasks, improve cyber security protection and increase technical monitoring capabilities; and access DPC pre-negotiated discounted pricing.

The Executive Officer, Information Technology and Manager, Information Services recommend accepting the proposed contract and request Council approve the new contract. Council's Information Services and Strategic Procurement departments support the acceptance of the State Purchase Contract's Whole of Victorian Government Microsoft Licensing Agreement.

Options considered

Option 1: Remain on current Office 365 month-to-month plan through Data#3 licensing arrangements and continue to use the current SFB telephony platform. This carries major risk as Council's SFB platform is "end-of-life" and unsupported. This option does not take advantage of pre-negotiated DPC discounts, as this licensing model is not supported by DPC.

Option 2: Remain on current Office 365 plan through Data#3 licensing arrangements plus purchase additional uplift for new telephony licenses to enable replacement of SFB with Teams (at additional cost).

- This would remove a significant risk of a non-compliant and unsupported SFB telephony system.
- Allows for a small increase of licenses for devices and staff rotations.
- No benefits to improve productivity or cyber security protections (these would be required to purchase separately at further cost).
- This option does not take advantage of pre-negotiated DPC discounts, as this licensing model is not supported by DPC.

Option 3: Adopt new arrangement with Data#3 for an increased level of Microsoft licensing ("M365 E5"), which would enable replacement of SFB with Teams.

- This would remove a significant risk of a non-compliant and unsupported SFB telephony system.
- Enables Microsoft's full software suite with benefits to improve productivity and cyber security protections.
- Allows for a small increase of licenses for devices and staff rotations and enabling Power BI for all staff.
- Takes advantage of license pricing discounts, negotiated by the Department of Premier and Cabinet (DPC).

Recommended option and justification

Officers recommend adopting Microsoft's E5 licensing model (option 3). This will be the most cost-effective solution to meet Council's needs, mitigate material risks and provide sufficient protection against cyber security threats.

Benefits of upgrading to Microsoft E5 licenses include:

- Takes advantage of pre-negotiated DPC discounted pricing
- Continued access to basic software licensing needs
- Access to a vendor supported telephony platform, reducing risk to Council and ensuring continuity of high service standards to community
- Increased cyber security protection through Microsoft Defender, significantly reducing the need for other cyber security software purchases
- Providing expanded functionality and productivity tools for staff, including access to Power BI for all users, enabling all staff to access analytics and reporting digital dashboards from a centralised platform
- Ability for staff to reset network login passwords without the need for IT service desk intervention ('self-service' password resets), reducing administrative burden
- Simplified license management, reducing administrative burden
- Automation of laptop installations.

Once Council services are migrated to the new E5 licenses, Council can start realising benefits such as cost and time savings, improved user interactions, software standardisation and greater cybersecurity protections.

FINANCIAL ANALYSIS

The expected cost of the Microsoft E5 licenses under a new contract with Data#3 for the period 1 January 2024 to 31 March 2026 is **\$1.78 million (ex-GST)**.

The recommended contract would see Council take advantage of negotiated Microsoft price book discounts by DPC, which would enable Council to meet its ongoing licensing needs, upgrade telephony software platform, improve cyber security protection and increase application functionality, all at a lower cost compared to current pricing arrangements.

The cost of this recommended contract will be met from the current year approved operational budget for 2023-24, with subsequent years' costs forming part of the annual budget development and approval process to be considered by Council.

APPLICABLE PLANS AND POLICIES

- Council's 'High Performing Organisation' strategic objective in "Council Plan 2021-2025".
- Draft "Council ICT and Digital Strategy 2023-2026".
- Yarra Ranges Council "Liveable Climate Plan 2020-2030".

RELEVANT LAW

Not applicable.

SUSTAINABILITY IMPLICATIONS

Yarra Ranges Council places a high importance on sustainability and resilience and expects the same from its vendors. The long-term impacts of becoming a highly connected and “digital Council” results in paperless work practices, reduction of travel and the ability to monitor and control Council’s energy efficiency initiatives.

Microsoft, as one of Council’s primary software providers, is committed to becoming a carbon neutral organisation. It also heavily invests in water and waste saving projects and solutions to help organisations monitor and manage their environmental impact.

COMMUNITY ENGAGEMENT

Not applicable.

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

The proposed licenses will supply relevant Council employees with a basic computer setup and give access to the Microsoft Office 365 productivity and collaboration suite (such as Word, Excel, PowerPoint, SharePoint, Teams, Teams Telephony and Power BI).

The new agreement will also enable Council to access additional features in the Microsoft product suite, improving customer service, simplifying overall software license management, automating repetitive tasks, improving cyber security and increasing technical monitoring capabilities (such as Defender, Power Apps, Power Automate, and InTune).

RISK ASSESSMENT

If this recommendation is supported, Council will transition to a new vendor contract with new terms and conditions. Council’s procurement team has closely analysed these new contractual arrangements and endorsed the acceptance of the contract as there is no reduction in service level or quality. Furthermore, Council is taking advantage of the State Government’s buying power and discounted pricing through signing up to the head agreement with the Department of Premier and Cabinet.

Council will transition to a different licensing model, requiring operational configuration changes to be implemented by the Information Technology team. The technical risk to Council of such changes relates to potential short-term software outages during the transition phase. Council will ensure technical changes are appropriately prepared and resourced, with technical support available on days when services are cut over.

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

1. Confidential Attachment for Council Evaluation Report
2. Confidential Attachment for State Purchase Contract Microsoft full document SIGNED 31.3.20
3. Buying for Victoria Procurement summary