Cabinet

21 April 2026

Microsoft Licensing May 2026 to April 2027 – Spend over £500k

For Decision

Cabinet Member:
Cllr B Wilson, Corporate Development and Transformation

Local Councillor(s):

Senior Leadership Team:
L Cotton, Corporate Director, Transformation, Customer & Cultural Services

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Statutory Authority: N/A

Report status: Public (the exemption paragraph is N/A)

1. Executive summary

1.1 Dorset Council uses Microsoft licensed products to provide essential whole council ICT infrastructure management, customer management capabilities, cyber security, information management tooling and employee productivity services. In 2025-26 we expect to spend £1.8m on Microsoft products and services.

1.2 This spend is within the Cabinet key decision of September 2022 (Additional Procurement Forward Plan Report – over £500k (2022-23), decision recorded here) providing authority to spend on Microsoft licences over the original 3-year agreement term (1 May 2023 – 30 April 2026).

1.3 In May 2024 Dorset Council took advantage of discounted pricing via the Microsoft 365 RAMP deal to enhance the level of Microsoft 365 licensing (E3 to E5) to gain additional capability, primarily in the areas of cyber security and information management. In taking the RAMP deal our 3-year Microsoft Enterprise Subscription Agreement was automatically extended by an additional year to 30 April 2027 to accommodate the discount terms.

1.4 The existing Cabinet authority covers Microsoft licensing spend up to 30 April 2026. As the Microsoft Enterprise Subscription Agreement was extended to 30

April 2027, we require new authority to spend for the additional year (1 May 2026 to 30 April 2027).

1.5 Microsoft do not engage with customers directly – licensing is bought through a Licensing Solution Partner (LSP). Dorset Council compliantly selects an LSP for a period coinciding with the licensing agreement term. Dorset Council appointed Boxxe in April 2023 for a 3-year term 1 May 2023 – 30 April 2026.

1.6 To harmonise our LSP arrangements with the term of our Microsoft agreement (best practice but also securing best value for Dorset Council by deferring Microsoft pricing increases by a further year) we will direct award through a framework to Boxxe (our current LSP) for 1 year (1 May 2026 to 30 April 2027). This stance is consistent with advice from Legal Services.

1.7 The exceptional context for this coming anniversary and the timing of the annual procurement forward plan item to Cabinet means a separate paper is required, with the spend value for one year exceeding the key decision threshold requiring Cabinet approval for the 2026-27 Microsoft licensing spend.

2. Recommendation(s)

2.1 That Cabinet authorises a maximum spend of £2.332m on the final year of our current, extended Microsoft Enterprise Subscription Agreement and associated licensing spends through our compliantly contracted LSP, Boxxe.

3. Reason for the recommendation(s)

3.1 To continue to be able to access critical operational licensing, after the 1 May 2026 renewal date, we need authority to spend on the additional year of the current Microsoft Enterprise Agreement, ahead of a formal re-procurement for 1 May 2027.

4. The report

4.1 Dorset Council uses Microsoft licensed products to provide essential whole council ICT platform functionality and employee productivity tools. These licences are critical for operating user productivity services such as M365 and Copilot, contact centre and customer relationship management capabilities, IT security and information governance tools, information management and data security capabilities, user identity services and user device management amongst other key technology capabilities.

4.2 Pricing is set by Microsoft, with public sector discounts on those prices being negotiated by UK Government. Prices are also subject to the fluctuations of exchange rates across global markets.

4.3 Microsoft do not engage with customers directly – licensing is bought through a Licensing Supply Partner (LSP). Dorset Council compliantly selects an LSP for a period coinciding with the licensing agreement term – typically 3 years. Dorset Council appointed Boxxe in April 2023 for a 3-year term 1 May 2023 – 30 April 2026.

4.4 The current 3 year Microsoft Subscription Agreement was a Cabinet key decision made in September 2022 (Additional Procurement Forward Plan Report – over £500k (2022-23), decision recorded here) providing authority to spend on Microsoft licences over the original 3-year agreement term (1 May 2023 – 30 April 2026).

4.5 In May 2024 Dorset Council took advantage of discounted pricing via the Microsoft 365 RAMP deal to enhance the level of Microsoft 365 licensing (E3 to E5) to gain additional capability, primarily in the areas of cyber security and information management. In taking the RAMP deal the normally 3-year Enterprise Subscription Agreement was extended by Microsoft by an additional year to 30 April 2027. Cabinet authority agreed in September 2022 (covering spend to 30 April 2026) does not extend to this additional year.

4.6 To harmonise our LSP arrangements with the term of our Microsoft agreement (best practice but also securing best value for Dorset Council by deferring Microsoft pricing increases by a further year) we will direct award through a framework to Boxxe for 1 year (1 May 2026 to 30 April 2027). This will enable compliant purchase of Microsoft licensing during the additional year of the extended agreement and is consistent with the advice received from our Legal Services team.

4.7 These arrangements are typically considered by Cabinet as part of the annual procurement forward plan. However, due to the extension of the Microsoft Enterprise Subscription Agreement to 30 April 2027, a separate paper is required to obtain authority to spend for the additional year (1 May 2026 to 30 April 2027). This is also required because the spend value for that single year exceeds the key decision threshold.

4.8 Dorset Council’s confirmed budget for Microsoft licensing is £2,002k (higher than 2025-26 due to increased consumption of Sentinel and Defender security products). Actual costs fluctuate in-year because some charges are consumption-based.

4.9 Funding provision has been made for the adoption of Dynamics 365 to support the Our Future Council Customer and Business Support programmes as part of the Cabinet approved Transformation funding and draw down (£330k – Dorset Council Transformation Investment Update: Our Future Council – 9/10/2025).

4.10 We are therefore seeking authority to spend up to £2.332m between 1 May 2026 and 30 April 2027 with Microsoft via the LSP, Boxxe.

5. Alternative options considered

5.1 The approach described in the report is the only route to securing compliant spend on committed Microsoft consumption.

5.2 Consideration of a move away from Microsoft is significant and very complex given the extensive range of services we consume from Microsoft, requiring a clear strategic context for this shift, and requiring time to plan for a transition of many diverse capabilities.

5.3 The current work to deploy various additional Microsoft capabilities across customer services, business support, information management, cyber security and productivity services would be inconsistent with a move away at this time.

5.4 We have an existing Enterprise Subscription Arrangement with Microsoft, which is accessed via a compliant route to award of contract for the licensing reseller Boxxe, providing continuity of services without risk of disruption to council services.

6. Legal considerations

6.1 Legal Services and the Procurement team have advised on the approach to awarding a 1-year contract to Boxxe for continued access to Microsoft licensing. The council will review our arrangements for a new 3- or 6-year Microsoft LSP term during this coming annual term (for 1 May 2027).

7. Financial implications

7.1 The predicted costs for core Microsoft licensing are funded in the budget build for 2026-27, with some headroom for consumption-based costs which are difficult to predict, based on our understanding in late autumn 2025.

7.2 The predicted costs for Microsoft Dynamics 365 to support the Our Future Council Customer programme are funded from transformation funding over the coming financial year, with agreed drawdown already approved by Cabinet.

7.3 The council's operating model and associated licensing needs continue to evolve as the transformation programme progresses. Where additional in-year licensing spend is required to enable agreed transformation activity, this will be considered and funded through the council's established transformation investment business case process (including Cabinet approval, where required).

7.4 Established consumption costs will inform budget pressures against the ICT Operations revenue budget builds for 2027-28 & 2028-29 as part of the budget planning during the 3-year settlement period.

8. Natural environment, climate & ecology implications

8.1 Not applicable.

9. **Well-being and health implications**

9.1 Not applicable.

10. **10. Other implications**

10.1 None.

11. **11. Risk implications**

11.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: High – without authority to spend we risk loss of access to critical technology services affecting public service provision, reduced employee productivity, increased cyber and information security risks

Residual Risk: Low

12. **Equalities**

12.1 An unplanned break in Microsoft services would negatively impact anyone benefitting from native, in-built accessibility features within M365 and Microsoft Windows, reducing their productivity or removing their ability to work effectively, and impacting their employee experience.

13. **Appendices**

13.1 None.

14. 14. **Background papers**

14.1 None

15. **Report sign-off**

15.1 This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s).