

## Purchase of Microsoft Licenses

Date: 12<sup>th</sup> December 2022

Report of: Andrew Byrom, Head of Cloud & Platforms

Report to: Leonardo Tantari, Chief Digital Information Officer

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

On the 19<sup>th</sup> of October 2022 at Executive Board a decision was taken to select Dynamics as the software to deliver phase 1 of the Core Business Transformation (CBT) programme.

As such there is a requirement to purchase licences for Dynamics, there is an additional requirement to purchase Power Platform licences, these are symbiotic products and Power Platform will help deliver the requirements of CBT.

Following extensive negotiation with Microsoft a new Service Cloud Enrolment has been agreed over a 5 + 3 contract term to provide these licences through Leeds City Councils Licensed Service Provider Bytes.

### Recommendations

- a) The decision maker is recommended to approve the purchase of licences as described in this report.

## What is this report about?

- 1 This report is about the purchase of additional Microsoft licences to cover Dynamics and Power Platform over a 5 + 3 year contract term. Dynamics has been selected as the preferred solution for replacement of the Finance and Operations applications as part of the CBT (Core Business Transformation Programme).
- 2 Negotiation has taken place with Microsoft over several weeks led by Leonardo Tantari, Chief Digital Information Officer and assisted by Andrew Byrom, Head of Cloud & Platforms.
- 3 The Crown Commercial Services Gov DTA 21 price for the licence bundle is £4,150,868.28 per year, after the initial round of negotiation with Microsoft, Bytes presented a commercial offer of £1,840,399.32.
- 4 After further negotiation the commercial offer for Dynamics and Power Apps licensing which has been accepted is £1,568,719.32 per year for 5 years, totalling £7,843,696.60.
- 5 Microsoft have provided £620,000 of End Customer Investment Funds (ECIF) which will be spent with a delivery partner. This funding is required to be allocated during the period January to June 2023 and will be linked to a detailed delivery plan.

## What impact will this proposal have?

- 6 These licences will be used to deliver the replacement of the current Finance & Operations applications using Dynamics as part of the CBT programme. Power Apps will be used to complement and deliver the requirements of the CBT programme.

## How does this proposal impact the three pillars of the Best City Ambition?

Inclusive Growth                       Health and Wellbeing                       Climate Emergency

- 7 The CBT programme supports inclusive growth by ensuring our people are equipped with the skills to do their jobs and that roles are valuable and rewarding. Staff not currently digitally enabled in the workplace will be included and well supported to use new digital ways of working and standard processes. Intuitive (minimal training needed for user to easily operate the process) and accessible (for a wide range of users with differing accessibility requirements / access technologies) user interface for system users and end-users with office, remote and mobile access. Access from any device supports remote working and contributes to reducing travel and size of offices which need to be heated and maintained. Health and wellbeing will be enabled by making core processes easy to use, removing hassle and stress and releasing time to focus on value adding and rewarding activities.

## What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?       Yes                       No

- 8 The CBT programme board and team have discussed and consulted on the proposals including input from the council's procurement team (Procurement & Commercial Services) and IDS procurement. The CBT team have also engaged with exec members and senior managers to understand current pain points and ambitions for future service delivery. The CBT team have a

standing item on the quarterly Corporate JCC which ensures that trade union colleagues are kept up to date with the progress of the programme.

- 9 Leonardo Tantari, Chief Digital Information Officer has led the negotiations with Microsoft, so has a full understanding of the license being purchased.
- 10 Consultation has taken place with the Lead Member for IDS, Councillor Debra Coupar.

### What are the resource implications?

- 11 The estimated costings for Phases 1 and 2 have been developed with Ernst & Young who have experience of similar local government implementations. The costings have been calibrated against known figures from other councils to ensure that they are realistic. An external transformation / implementation partner(s) will be used for the Finance and Purchase to Pay new process design and technology implementation. The existing CBT team, which is mainly internal, will be used to lead the Change Management in the affected functions. For phase 1, the staff affected by the change, will be the Finance function staff, Business Shared Services Centre Finance admin staff. External support will be used to help define the Target Operating Model / Service design model for HR, Payroll and Source to Pay.
- 12 The table below gives the Authority to Spend required for phase 1 of £9.47m and previous Authority to Spend under this scheme. This will be funded from flexible use of Capital Receipts, a funding source which cannot be used for frontline services revenue costs. Subsequent phases will need additional exec approval and additional injection from capital receipts as part of setting the overall 23/24 budget. The ongoing Revenue costs will not be finalised until Phase 2, dependent on the technology choices in phase 2. If over and above existing revenue costs, then it will be built into the Medium Term Financial Plan (MTFS). It is expected that revenue costs will fall / break even when all the existing CBT systems in scope are taken into consideration.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2022 £000's	FORECAST				
			2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
INTERNAL DESIGN FEES (6)	660.0	660.0					
OTHER FEES / COSTS (7)	350.0	350.0					
<b>TOTALS</b>	<b>1010.0</b>	<b>1010.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2022 £000's	FORECAST				
			2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	7280.0		3212.2	3338.0	729.8		
INTERNAL DESIGN FEES (6)	1856.8	632.2	449.6	450.0	325.0		
OTHER FEES / COSTS (7)	333.2	64.0	99.2	100.0	70.0		
<b>TOTALS</b>	<b>9470.0</b>	<b>696.2</b>	<b>3761.0</b>	<b>3888.0</b>	<b>1124.8</b>	<b>0.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2022 £000's	FORECAST				
			2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026 on £000's
Flexible Use of Capital Receipts	10480.0	1706.2	3761.0	3888.0	1124.8		
Total Funding	10480.0	1706.2	3761.0	3888.0	1124.8	0.0	0.0
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### What are the key risks and how are they being managed?

- 13 The new Service Cloud Enrolment with Microsoft is over a 5+3 year period. As part of the negotiation the price is limited to a 15% increase in year 6. The purchase of the licences will be through Bytes, who are the LSP (License Service Provider). The contract with Bytes ends in

2024 and the intention is to complete a procurement exercise to select a new LSP. Bytes provide licences on a cost plus zero basis, there is a risk that a new provider may not provide the same deal. If this happened the Council would look at options to extend with the incumbent supplier to ensure no increase in licence cost.

- 14 The price offered is across all products and individual line items cannot be revised during the term. There is a risk that the authority underutilises or fails to utilise licenses. This risk will be managed by strategic decision on enterprise technology choices through Digital Board.

### **What are the legal implications?**

- 15 The purchase of licences is being provided through the contract with the existing LSP in accordance with Corporate Procurement Rules.
- 16 This decision is a significant operational decision as a consequence of the decision taken at Executive Board on the 19<sup>th</sup> of October 2022 ref D55730). As such it is not eligible for call in.

## **Options, timescales and measuring success**

### **What other options were considered?**

- 17 Not applicable.

### **How will success be measured?**

- 18 The details of the Dynamics licenses required to support phase 1 of CBT have been established by Seer 365 who were tasked with advising on this aspect of the programme. Success will be measured by having the correct licenced quota to deliver the programme.

### **What is the timetable and who will be responsible for implementation?**

- 19 The overall roadmap is a 3- to 4-year transformation given the level of change and realistically multiple other priority demands on the core functions. The Finance implementation will be a 24-month journey.
- 20 The original intention was to deliver the whole programme for all functions in 24 months. Investigation into other authorities' timelines who have implemented similar programmes and experience from EY have indicated this timeline is unrealistic and high risk. The CBT team together with EY have completed a more detailed assessment of the current state and considerable level of change for people and technology to reach the future state. The CBT programme will take every opportunity to speed timelines where possible.

## **Appendices**

- Quote ID 1536240 - Dynamics SCE & Future Pricing.pdf



Quote ID 1536240 -  
Dynamics SCE & Futu

## **Background papers**

- [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)