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Microsoft Unified Support Contract Extension

For decision: For noting:

Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

- a) Approve a one-year extension to the Unified Support contract with Microsoft (contract number 4100009043) at an additional cost of \$5,770,475.
- b) Delegate authority to the Executive General Manager Business Technology to sign all required documents to give effect to the extension.
- c) Delegate authority to the Chief Executive to approve and sign future annual extensions of this support contract for a further three annual periods unless there are material changes to the substance or cost of the support or a change to Auckland Transport's technology strategy regarding this support, which the Chief Executive considers should be brought to the attention of the board.

Te whakarāpopototanga matua / Executive summary

1. The purpose of this report is to seek approval from the board to extend the current Unified Support contract with Microsoft at an additional cost of \$5,770,475 (with a total 5-year contract value of \$22,809,951). The board's approval to negotiate a further three, twelve-month extensions of this support contract in the future is also sought.
2. The Auckland Transport (AT) Delegations Manual (May 2021) requires board approval for this extension given the total contract value will be over \$20 million, and any future extensions would take the length of this contract over five years and over the \$20 million.
3. This is a business-critical support contract which covers support for all of AT's Microsoft systems and is required for business continuity and platform stability. Microsoft is a long standing, strategic technology partner to AT. These support contracts are only available via Microsoft.

Ngā tuhinga ō mua / Previous deliberations

4. There are no previous deliberations regarding this request.

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Te horopaki me te tīaroaro rautaki / Context and strategic alignment

5. The Microsoft Unified Support contract (the contract) covers support for all of AT's Microsoft systems in a single, comprehensive support contract package. The support structure is broken into Unified Support and Unified Performance.
6. Unified Support provides the Business Technology team with a base level of reactive support for every Microsoft product used by AT. Within this, there are several pillars of support:
 - Azure Systems Management Consultants (SMC).
 - Office 365 SMC.
 - Dynamic 365 SMC.
 - Enterprise Agreement Subscription (EAS).
 - Dedicated Support Engineering (DSE).
 - Proactive Credits.
7. Microsoft provides problem resolution support, advisory support, escalation management for critical cases, on demand learning and assessments for AT staff and an assigned customer support account manager. Microsoft ensures AT teams using Microsoft products are continuously educated, the Microsoft platforms are secure, and they engage with AT to ensure continuous improvement.
8. Unified Performance support can be grouped accordingly:
 - Digital Technology and Delivery: The Mission Critical for Dynamics 365 support and the Enterprise Application Support supplement AT's online team by providing end-to-end lifecycle management and support for the Customer Relationship Management (CRM) platform and integration components.
 - Cloud Transformation and Cloud Productivity tools: The Mission Critical Office 365 Transition support provides AT with access to the Microsoft Office 365 Mission Critical Engineering Team. This team has a deep understanding of AT's Teams, SharePoint and Exchange Online platforms and ensure they are kept up to date (evergreen lifecycle management), compliant and secure. Building on the Mission Critical for Intelligent Cloud support, this includes a series of proactive and programmatic service engagements delivered by Microsoft Customer Engineers.
 - Modern Security and Corporate Analytics: The DSE provides access to a team of local and global Microsoft engineers (and associated intellectual property) who work closely with AT to enhance and secure the three Microsoft clouds (Azure, Dynamics and Office 365).
9. The contract has been in place since 25 June 2018. This one-year extension will mean the contract has been in place for five years. The value of this extension is \$5,770,475. This will bring the total contract value over the whole contract period to \$22,809,951.

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10. The AT Delegations Manual (May 2021) requires board approval to be given for any contract extensions that commit AT to expenditure beyond a five-year total contract term (including rights of renewal) and / or have a total contract value of \$20 million or more.

Ngā matapakinga me ngā tātaritanga / Discussion and analysis

11. Microsoft is a longstanding strategic partner to AT. The Microsoft New Zealand team has developed a deep understanding of AT's business and key systems during more than ten years of partnership with AT. Microsoft and its products have played a key role in standing up some of AT's business systems and informing AT's decisions around its technology systems. AT recently furthered this strategic investment by selecting Microsoft as its Cloud Platform provider on Azure, utilising the All of Government contract.

12. There are significant strategic benefits to be gained by maintaining this support contract with Microsoft. These include:

- Having access to leading Microsoft personnel who are experts in Microsoft technology.
- Keeping up-to-date on the latest technological developments, which allows AT to be an early adopter and allows this information to inform AT's technology roadmap.
- Helping AT to optimise its technology stack to ensure we are obtaining maximum value for money.
- Access to a global resource base to ensure the robustness of AT's systems and cyber security posture.
- This support is critical to AT's business systems, and without it, its systems could be put at risk which could ultimately compromise AT's ability to serve its customers.

13. Microsoft is the only organisation that can provide the collective resource and breadth of expertise across AT's Microsoft technology stack and strategic projects. By consolidating the support with Microsoft, it substantially reduces AT's risk in respect of investment and development decisions around the projects to ensure the project solutions are aligned.

Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
This is a high value direct appointment that could be perceived as supplier favouritism.	The mitigation of this risk is the recognition that the collective benefit of this aggregated service contract outweighs the benefit and cost of going to market and / or working with multiple providers. Previous experience prior to 2018 with NZ vendors showed that they do not have the depth of resources necessary to support an organisation of AT's size and breadth of solutions.

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Key risk	Mitigation
There is a risk around ensuring the Customer objectives in the contract are delivered and are measured.	This risk is mitigated by the fact that investment streams have been collaboratively co-designed and new processes have been put in place for periodic review and measurement of the deliverables. The outcomes and key performance indicators have been clearly articulated. Monthly account meetings with Microsoft occur where performance and hours used are measured and reported.
There is a perceived risk of Microsoft influencing AT's strategic technology decisions.	All AT contracting decisions become part of the public record which provides transparency around such decisions. Microsoft solutions that are required are procured via open and transparent procurement processes.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

14. This is a continuation of the contract that has been budgeted for. There is considerable scope for cross charging expenditure to the AT Enterprise Technology Capital Investment Plan on a specific project basis which will need to be quantified and managed in due course.

Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations

15. There are no environment or climate change considerations relevant to this contract extension request.

Ngā whakaaweawe me ngā whakaaro / Impacts and perspectives

Mana whenua

16. There are no mana whenua impacts or perspectives to consider in relation to this contract extension request.

Ngā mema pōti / Elected members

17. Consultation with elected members is not relevant to this contract extension request.

Ngā rōpū kei raro i te Kaunihera / Council Controlled Organisations

18. There is no other Council Controlled Organisation impacted by this contract extension request.

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Ngā kiritaki / Customers

19. Microsoft technology underpins much of AT's overall service delivery. It is vital that these technologies are supported to ensure service levels are maintained. The development investment programme in this contract will enhance customer outcomes by leveraging Microsoft technology and expertise.



Ngā whaiwhakaaro haumarū me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations

20. There are no health, safety or wellbeing considerations relevant to this contract extension request.

Ā muri ake nei / Next steps

21. Assuming board approval, the Executive General Manager Business Technology will be presented with the contract variation assessment and the Microsoft Enterprise Services Work Order to execute. This needs to happen immediately following board approval.

Te pou whenua tuhinga / Document ownership

Submitted by	Andy Richards Group Manager Procurement	
Recommended by	Roger Jones Executive General Manager Business Technology	
Approved for submission	Shane Ellison Chief Executive	