

TELECOMS CONTRACTS CONSOLIDATION

Submitted by: Executive Director, Resources & Support Services

Portfolio: Communications, Transformation & Partnerships

Ward(s) affected: Non specific

Purpose of the Report

To seek Cabinet approval to enter into a single consolidated contract for the supply of telephony and wide area network (telecoms) provision for a period of five years.

Recommendations

(a) That Standing Orders Relating to Contracts be waived on the grounds of 2b(vi) which states 'where for any other reason there would be no genuine competition'

(b) That British Telecom (BT) is awarded a consolidated contract for a period of five years

Reasons

- (a) Consolidating the contracts improves the Council's position in achieving best value through tendering for a full telecoms solution starting in four years' time, which will be more attractive in the open market.
- (b) Consolidation provides the opportunity to make savings on current contracts costs.
- (c) The recommendations accord with the approved ICT consolidation programme.

1. Background

- 1.1 The Council has an approved programme of ICT consolidation covering software and hardware. As part of this programme, in conjunction with the Council's Procurement Officer and legal team, ICT have been investigating the current contracts for the provision of telephony and wide area network (WAN)¹ services to the Council's buildings.
- 1.2 The Council's WAN provides network access to all Council sites, together with access to the internet. The Council's telecoms infrastructure has developed to meet the particular needs of each service over a period of time. As such, each connection has been procured through different means, attracting a different price over a different contract period. Currently, there are 8 individual telecoms contracts in place, each with different end dates starting with October 2013 through to December 2016, covering the Council's telephony and WAN requirements.

2. Issues

- 2.1 Small scale procurement for telecoms hardware and support over the years (i.e. small numbers of connections from one site to another) has restricted the Council in being able to attract a significant discount from providers due to insufficient volume. Typically, the

¹ The WAN is a network that covers a broad geographic area outside of the Council's own internal network. WANs are used to relay data and information to staff, suppliers, partners etc. at any geographical location. This allows the Council to effectively carry out its daily function regardless of location. An example of a WAN is the Internet.

larger/detailed the tender the more likely the Council will benefit from more economically advantageous procurement of services.

- 2.2 It is not possible for the Council to undertake a large procurement for provision of our entire telecoms infrastructure without significantly overrunning outside of contract periods with individual connections in order to synchronize a finish date, or by paying early terminations fees of approximately £25,000 to end contracts before their natural finish date.
- 2.3 The capacity of WAN connections has been calculated before sites have come on-line. In many cases the Council has under-capacity and sites suffer from slow connection issues whilst at other locations, links have been over specified and their capacity not fully utilised. Relocation of staff from one site to another has added a further complexity by adding to the capacity requirements at some sites which was not anticipated when the links were initially installed. This inflexible provision between sites means that problems are difficult to resolve and an overhaul of the Council's telecoms is required.
- 2.4 Whilst internally the Council's telephony provision can reroute calls automatically to any handset which is connected to the network, calls coming into the Council must still be routed via a traditional telephone exchange. The Council pays an additional premium to BT to operate a 1 hour diversion service for the main "717717" and "715500" numbers. This means that should these numbers be unavailable BT will temporarily move them to other numbers to ensure continuity of the telephony service. However, all other externally accessible numbers are not covered in this agreement. Diversion of these other numbers, if required, could take up to a week to complete. This is not effective for disaster recovery and does not provide the flexibility or resilience the Council needs.
- 2.5 A number of telecom service providers now offer the new SIP (Session Initiated Protocol) technology² for telephony. The advantages of SIP include:
 - Lower cost calls than traditional lines. With SIP the Council only pays for the capacity it needs and the usage it make of telephony.
 - Flexible numbering e.g. working from a Newcastle number regardless of the physical location.
 - Number portability which allows the Council to relocate offices or sites but keep existing numbers.
 - Site resilience; number flexibility that supports disaster recovery plans.
 - Supports system expansion; an additional number can be added to a SIP site at lower cost and less time that traditional means.

3. **Options Considered**

3.1 Do Nothing

- 3.1.1 Await contract end dates or work with current providers to extend certain contracts to allow for them to expire at the same time.

The disadvantages of this approach are:

- Removes the capacity to reduce current costs
- Limits disaster recovery capabilities

² With SIP, calls travel over the Internet. Calls sent over the Internet are much cheaper than calls sent over traditional telephone lines. Because it is flexible, SIP provides the ability to combine communication services such as voice, instant messaging, video conferencing. Using SIP, telephony in effect becomes another web application.

- Does not take advantage of flexible new technology with the potential to reduce call costs in the future as part of a separate review.

3.2 Early Termination of Contracts and Re-Procurement

3.2.1 This option attracts early termination costs of approximately £25,000 to end the existing contracts. This would be followed by a full procurement for the entire wide area network and external telephony infrastructure.

3.3 Consolidate existing telecoms contracts and upgrade the current telecoms technology

3.3.1 This option involves entering into a five year contract with BT; our existing principal telephony and WAN provider. This new combined contract will replace all existing small contracts and put in place a single end date. This will simplify contract management and enable procurement of a full telecoms solution within the final year of the contract.

3.3.2 As the contract value would exceed Public Procurement thresholds, the Council would issue a Voluntary Ex-Ante Transparency (VEAT) Notice to the European market.³ The notice advises the market place that the Council is making an award following a negotiated procedure without advertising the opportunity through the European Journal. Any potential suppliers may comment within a ten days standstill period following the announcement of "intention to award a contract". If during this period any alternative supplier lodges a genuine objection to the procurement for which they can substantiate their claim, the Council will cease the award process. ICT would then recommend that the Council undertake the option outlined in 3.2 and build in the costs of early termination to be covered by any potential new supplier.

3.3.3 This gives the Council the opportunity to bring to a close all 8 existing contracts, with different end dates whilst delivering savings, and offers the opportunity to tender in full during the life of the single consolidated contract

3.3.4 Approving this option will require the Council to waive Standing Orders Relating to Contracts on the grounds of 2b (vi). Although there are a number of telecoms suppliers in the market place, it is considered more advantageous to both the Council and suppliers to tender for a full telecoms contract due to the fact that any other supplier bid would need to absorb the cost of the early termination fees from the existing contracts to make a bid financially attractive to the Council.

3.3.5 This option incorporates the upgrading of the current telecoms to take advantage of SIP technology, for the reasons detailed in 2.5 above.

4. **Proposal**

4.1 Your officers in ICT, Procurement and Legal Services have worked together in presenting a proposal for Cabinet consideration. As a result, it is recommended that Option 3.3 be approved.

4.2 The execution of a new five year contract will require the authority to waive Standing Orders Relating to Contracts on the grounds of 2b(vi), as the contract value over the life of the contract is in excess of £50,000. It is advantageous to the Council (given the numbers and types of contracts in place), and potential suppliers to consolidate the telecoms contracts

³ A public body may use a VEAT notice when they have awarded a contract which has not been published in the OJEU, such as contracts using the Negotiated Procedure (without prior advertising).

initially and go to the market with a full tender for the procurement of all telecoms services within the final year of the contract.

- 4.3 The proposal will also involve a significant upgrade of the Council's existing infrastructure which will see the Council moving away from traditional telephone lines and physical reliance on telephone exchanges. Whilst the service to users and customers will not change the Council will reduce costs, build resilience and introduce essential flexibility for future deployment of telecoms services at any sites.

5. **Reasons for Preferred Solution**

- 5.1 The preferred solution has the following benefits:

- 5.1.1 The Council will not incur any early termination charges (£25,000) or have to over-run on contracts. This in effect means that should the Council seek to go out to open market at this time, potential suppliers submission would need to reflect both early termination costs and perceived savings, as highlighted by BT as part of their negotiated proposal, resulting in them having to identify a considerable discount for their solution to deliver value for money.

- 5.1.2 The introduction of SIP technology benefits the authority in terms of resilience, flexibility and disaster recovery.

- 5.1.3 The current supplier will cover all associated costs of modifying our internal telephone system to accept SIP telephony.

- 5.1.4 The supplier already maintains the majority of the Council's network links and will continue to keep the old links in a live state until acceptance testing and sign off has been achieved

- 5.1.5 The exercise will facilitate a much improved and much more attractive procurement package to be put in place during the final year of the contract to ensure the Council secures the most economically advantageous tender (MEAT).

- 5.1.6 The solution will consolidate a number of complex contracts into a single entity which is more manageable.

- 5.1.7 The issuing of a VEAT notice to the open market will automatically highlight any objections from any alternative suppliers. It will also identify if any organisation could realistically deliver a more advantageous package of development through the objection process.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 The outcome supports becoming a cooperative council delivering high quality community driven services, through providing a telecoms solution that maintains, supports and improves sustainable communications between the community and the Council.

7. **Legal and Statutory Implications**

- 7.1 The recommendation is made in accordance with the Council's internal rules set out in the Constitution and with the European Procurement Rules and the UK regulations. Advice has also been sought and agreed from Procurement and Legal Services in developing the proposal.

8. **Equality Impact Assessment**

- 8.1 No adverse impact has been identified as a result of delivering the recommendations.

9. **Financial and Resource Implications**

9.1 A full breakdown of the costs and savings are shown below:

	Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18
Current Revenue Costs	£71,457	£71,457	£71,457	£71,457	£71,457
Proposed New Costs:					
One off Capital	£24,956				
One off Revenue	£20,078				
Ongoing Revenue (One off and Ongoing Revenue Costs can be met from existing revenue budget in 2013/14)	£51,338	£51,338	£51,338	£51,338	£51,338
Total	£96,372				
Balance	(£24,956)	£20,119	£20,119	£20,119	£20,119
Savings	(£24,956)	(£4,837)	£15,282	£20,119	£20,119

9.2 The proposal requires one off capital investment of £24,956 in 2013/14 to finance the implementation and refresh of network equipment at the authority's sites, and is detailed in the ICT 'Invest to Save' submission. The additional cost of migrating the Council's internal telephone network to SIP connections is approximately £7,000. BT has agreed to meet the latter cost.

9.3 The one off revenue cost in 2013/14 will be incurred if the contract commences in April 2013. Should the contract commence later than this, the revenue cost will overlap into 2014/15 and the savings shown in 2014/15 decrease proportionately.

9.4 The on-going revenue costs cover the line rental and service charges associated with our telecoms connections provision. This does not include call costs, which are covered under a separate contract. Your officers will investigate future savings of these costs following implementation of SIP technology (see 9.4).

9.5 Savings over the life of the contract are approximately £55,000 over current contracts costs, commencing in year three of the contract, as detailed in the above table, with the potential to save more when ICT investigate call charges, programmed to take place in August 2014, to allow time for the installation and embedding of SIP beforehand.

10. **Major Risks**

10.1 Risks have been identified associated with the consolidation of telecoms contracts in this way, which in summary are:

- Potential for challenge by the market when using a VEAT notice
- Restrictions in staying with the current telecoms solution:
 - Inability to provide full business continuity/disaster recovery telecoms
 - Inflexibility and increased cost should the council vacate its current premises in the future

10.2 A full Risk Log is available on request.

11. **Sustainability and Climate Change Implications**

There are no sustainability and climate change implications arising from this report.

11. **Key Decision Information**

11.1 The report is a key decision as defined in the Council's Constitution, as it is likely to result in the Council incurring expenditure or making savings which are significant and has been included in the Cabinet's Forward Plan for the period in which the meeting is to take place.

12. **Earlier Cabinet/Committee Resolutions**

Strategic Review and Consolidation of ICT Systems - Cabinet, 20 June 2012