



Voice and Data Network Contracts – Renewal

SUMMARY

- 1.1 This report explains the options for how we can renew or let new contracts for voice and data services to both meet the needs of schools and to avoid high risks for the Council House recant.
- 1.2 The report also includes a proposal to change how we manage voice services which can deliver substantial savings to the Council.

RECOMMENDATIONS

- 2.1 To agree a procurement exercise is commenced to award a new contract for the schools data network.
- 2.2 To agree to extend the existing data network contract with British Telecom by 12 months to end on 31 March 2014.
- 2.3 To accept the proposal from Serco to manage voice services on behalf of the Council subject to:
 - a. existing suppliers agreeing to novation of contracts
 - b. Serco confirming their proposal to the ICT Strategy Board and offering a guaranteed annual saving.
- 2.4 To authorise the Strategic Director of Resources, in consultation with the Director of ICT and the Cabinet Member for Resources to finalise the required contract change control on the existing contract with Serco.

REASONS FOR RECOMMENDATIONS

- 3.1 To ensure we can maintain and improve existing voice and data contracts meeting the new demands of schools, minimising risks for the Council Office consolidation and avoiding longer term commitments which would reduce the benefits of a city wide high speed network.
- 3.2 To maximise opportunity to deliver guaranteed savings through more effective management and active consolidation of voice network suppliers and contracts; making better use of the contract with Serco.

SUPPORTING INFORMATION

General

- 4.1 The current voice and data contracts are as follows:
- a. Data Network covering Schools and Corporate Buildings, with BT and expires 31 March 2013; let under the OGC Framework
 - b. Fixed Voice Network – main voice services are with Kcom via an OGC Framework which expires December 2012; there are some secondary voice services for Derby Direct with BT and some legacy BT Feature-net for small sites
 - c. Mobile Voice (and data), with Everything Everywhere (formerly Orange) expires Feb 2013; let under the OGC Framework.

All of these are based on minimum terms of two or three years, with the default action if the contract is not renewed or replaced where the service can continue but at non discounted line rental and call charge tariffs.

- 4.2 Both voice and data services were included in the scope of the original contract let with Serco, and in deed some but not all of the current voice services are provided via this contract. This nature of the contract with Serco includes the facility to develop such business cases and this is the first such business case based on operational costs following the technology refresh projects undertaken in 2011/12 which have delivered annual cost reduction of £400,000 based on new capital investment.

Schools Data Network

- 4.3 The existing schools data network contract is not fit for purpose; does not offer flexible bandwidth, incurs higher costs than a replacement could deliver and ties in most schools to an inter-dependent hub and spoke network. If one hub school chose to leave this contract then between six and sixteen other schools would at short notice have to arrange an alternative network.
- 4.4 The contract for this network expires in March 2013 and we now have the opportunity to deliver a more flexible network where each school can have its own independent connection with a choice of bandwidth from 2 megabytes, 10 megabytes and increments of 10 megabytes up to 100 megabytes. Following consultation with schools this is the flexibility and independence they require.
- 4.5 Previously we let the contract on behalf of schools but with the new freedom for schools we cannot impose a network contract upon them. Throughout 2011/12 we have engaged with schools and indications are that provided there is choice in a new contract most Schools would continue to source their data network via the Council; allowing us to negotiate better discounts and to provide administration and support services.
- 4.6 We have had indicative costs from two suppliers for a new schools' network that suggest we could achieve data network savings of up to 30% (excluding implementation costs) based on a cloud solution; such would have to be verified through a procurement exercise but gives us a basis to have some confidence in the potential for future cost reduction. A point to point network is by its very nature more expensive.

- 4.7 Before we finalise any new network for schools we need to determine actual prices, and because this will involve new data connections (it is not viable to re-use the existing network) we will need to include both initial implementation and on-going rental and support costs. These can best be obtained by undertaking a procurement activity. We can use either the new regional East Midlands Public Services Network framework contract for such, or using the Government buying solutions framework contract.
- 4.8 The intention for schools is to have an offer on the table by October 2012 giving sufficient time for each school to make its decision and for the new service to be installed and configured (prior to March 2013 when the current contract expires). It is likely that any service provider will seek a minimum contract of at least three years and possibly up to five years; and we will need each school to agree to a similar term or to pay the agreed and identified termination fees should they wish exit this contract early. The Council cannot hold the risk of such.

Council Data Network

- 4.9 The existing contract for the Council's data network is also due to expire on 31 March 2013, but can be extended under the framework agreement. There are two reasons why a one year extension is proposed ...
- a. With the Council House recant and the office consolidation that will take place we do not want to let a new contract that may become a high risk conflict. The lead times for installing a new contract means connections would be being implemented between November 2012 and March 2013; the same time as many office moves.
 - b. Until we confirm which sites the Council will no longer require, and the timing of when we will vacate each site there is a danger we contract a new network for more sites than we need; incurring extra costs and early termination fees. The minimum term of any new contract is likely to be three years.
- 4.10 When we entered the current contract with BT we negotiated a two year term as this was a joint contract covering schools; we have explored with BT the option to extend just the council data network for an extra year and they have agreed to this on the basis their normal minimum term is three years.
- 4.11 The regeneration department are exploring options for a city wide high capacity data network which would include council premises. If this project proceeds then the build time for such is 9 to 12 months which means it would not be completed and available to all council sites before our current contract expires. We do not want to limit or delay this opportunity by entering a new three year contract.

Voice Contract(s)

- 4.12 We have a range of voice contracts currently including a mobile voice contract with Everything Everywhere (used to be called Orange), with BT and with Kingston Communications. The mobile contract and some of the fixed line contracts are arranged and contracted directly by the Council, others are through the contract with Serco.
- 4.13 A review of expenditure on these contracts has been carried out and a business case has been presented by Serco to the ICT Strategy Board proposing consolidation which will result in annual savings. The business case suggests that for a four year

service until March 2016 management fee of £177,350 savings of between £283,107 and £377,477 can be made. Thus net savings of between £105,575 and £200,127. Serco are willing to offer a guarantee on such savings and that any additional savings above this higher figure will also be passed directly to the Council.

- 4.14 The business case for the voice services consolidation followed an in depth analysis of existing expenditure with five different voice service contracts. A detailed (34 page) business case has been developed which was presented to and agreed by the ICT Strategy Board.
- 4.15 This proposal does not incur any transfer of staff, but would require us to novate existing contracts to Serco, which will require the agreement of existing suppliers. This is not an uncommon practice and it is likely existing suppliers will agree.
- 4.16 A further benefit is we will receive better tools to manage future voice services with a full electronic inventory, paperless billing and with analysis of call patterns and related charges. This will make it easier for the Council telecoms team to manage the provision and billing of voice services and to deal with the increased demand for mobile telephony.

OTHER OPTIONS CONSIDERED

- 5.1 To start a new procurement for both schools and council data networks now such that these would commence from 1 April 2013 when the current contract expires. This was rejected because:
 - a. it would pose high risks of conflict and not having data connections in place for the re-occupation of the council house
 - b. it would tie us in for a minimum of three years before we could gain any benefits from the possible city wide high speed network.
- 5.2 To continue to manage all voice contracts in house. This is not recommended as we already know that we have both insufficient resources and insufficient leverage to manage such multiple contracts.

This report has been approved by the following officers:

Legal officer(s)	Stuart Leslie,
Financial officer	Peter Shilcock
Human Resources officer	None
Service Director(s)	Director of ICT
Other(s)	Ray Poxon (Procurement), Neil Johnson (Regeneration)

For more information contact:	Nick O'Reilly 01332 643254 e-mail nick.oreilly@derby.gov.uk
Background papers:	Telecoms Business Case Proposal to ICT Strategy Board 5 March 2012
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 Delaying a new procurement for the schools network would lead to higher costs and risk that schools move to alternative suppliers from 1 April 2013; extending the current contract would not give schools flexibility forcing many to opt for a 100 megabyte connection when a lower cost connection between 10 megabytes and 100 megabytes could be sufficient.
- 1.2 Undertaking procurement activities for a new council data network when we may opt for a city wide high speed data network would incur redundant costs; it could also delay any savings such a city wide high speed data network can offer by up to three years due to the minimum contract length.
- 1.3 Many organisations including a number of public sector bodies have undertaken reviews of voice and data contracts, leading to consolidation and achieving proven reduction in costs through lower line rental and call charge tariffs, and in some cases zero rental for mobile telephony devices. The business case produced by Serco is therefore backed up by evidence elsewhere and provides a good opportunity to simplify services and reduce costs.
- 1.4 We have identified almost £100,000 savings that we either have already realised or will do so by cancelling redundant and spare capacity and resulting from changes to voice networks made during 2011/12.

Legal

- 2.1 The terms of the existing contract with BT do allow extension of that contract, in respect of corporate buildings only, until 31 March 2014. BT has agreed to such an extension even though the current contract covers schools and council sites jointly.
- 2.2 The terms of the existing contract with Serco and the related OJEU notice have been reviewed and telephony support and maintenance and network support and maintenance were included within the scope of that contract; it is therefore open to the Council to consider a novation of the management of the voice and data networks to Serco.
- 2.3 The novation of existing contracts is subject to agreement of existing suppliers and will be based on continued use of such until the current contract expiry date.

Personnel

- 3.1 None. The proposed novation of voice service contracts does not require or involve any transfer of staff; the existing Council staff will use the new management portal to help them in their job. It is noted that demand for voice services has increased over the last five years to the extent that without better tools we would have to consider an additional post.

Equalities Impact

4.1 None.

Health and Safety

5.1 None.

Environmental Sustainability

6.1 None.

Asset Management

7.1 One aspect the current telecommunications review has highlighted is the high number of mobile devices which either have incurred £0 call charges in the last 12 months; or have incurred call charges of less than £1 per month. There are over 350 such devices and whilst a small number may be data only devices; the vast majority are likely to be devices issued and not returned when staff leave or devices issued to staff that do not really need them. All of these have a minimum 24 month rental fee term. We need better asset control to ensure they are returned if not in use and can be either re-allocated (avoiding new devices with new 24 month terms) or cancelled in advance ensuring they terminate as soon as the minimum rental term expires. The proposal will provide such tools for both the telecoms team and for line managers to monitor use of mobile devices.

Risk Management

8.1 There are small risks of delaying procurement activity, these are outweighed by the high risks of committing to such on the ICT recant programme, but also on the time and focus needed to get best value from any new contracts.

Corporate objectives and priorities for change

9.1 The deferment of procurement activity allows us to prioritise both the ICT transformation programme (ICT Recant) and to fully explore the opportunity for a city wide high speed data network. Even though a decision may be made in respect of such a network before June 2012; it could not be installed and commissioned in time for all sites before the current contracts expire. Thus we would still need to defer procurement activity and/or seek short term solutions.