

## **NORTH LINCOLNSHIRE COUNCIL**

### **CORPORATE SERVICES CABINET MEMBER**

## **RENEWAL OF TELECOMMUNICATIONS CONTRACT**

### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 A procurement requirement with a value greater than £1M must be reported to the relevant Cabinet Member at an early stage of the procurement process (contract procedure rule 7.1).
- 1.2 This report sets out a summary of the procurement process for the renewal of the telecommunications contract.
- 1.3 The key points in this report are:
  - The corporate contract for telecommunications expires on 31 July 2009.
  - The current contract has already delivered significant savings and efficiencies. The new contract will look to build on this framework and, if possible, realise further savings and contain costs.
  - This is a collaborative project between North Lincolnshire and North East Lincolnshire councils.
  - Provision has been made for the councils' Building Schools for the Future (BSF) projects to make use of the contract.
  - The councils have appointed Eastern Shire Purchasing Organisation (ESPO) to run the EU compliant procurement process. The expectation is that the new contract will be in place by Spring 2009. ESPO has substantial expertise and industry market knowledge.

### **2. BACKGROUND INFORMATION**

- 2.1 The current corporate contract commenced in December 2005 and will expire in Summer 2009.
- 2.2 Its primary purpose is providing substantial savings on the total telecommunication expenditure compared to the amounts previously incurred by the council. This was achieved by:

- 2.2.1 Improving pricing by recognising the council's overall buying power;
  - 2.2.2 Reducing the number of suppliers and;
  - 2.2.3 Adopting a tactical approach to the telecommunications network's design by tendering for a 'like for like' replacement of the core.
- 2.3 Additional benefits included the introduction of electronic billing, negating the administrative burden of the processing thousands of telecommunication invoices. Participating schools save in the region of 55% on call charges and a reduction of 20% on line rentals.
- 2.4 Wholesale telecommunication prices, for business users, have risen over recent years and have been successfully capped within the existing contract's terms.
- 2.5 The contract offers an opportunity to review North Lincolnshire Council's telecommunications network. This will take into account the council's wish to improve its resilience following the flood of summer 2007 and the council's strategic IT needs over the next five to eight years.
- 2.6 PANNEL has jointly agreed to appoint EPSO to procure both councils' contracts together, not only to save time, but to increase the leverage and advantage of combining the procurement spend, thus achieving savings.
- 2.7 The contract values are detailed below:

Contract Name	Procurement Start Date	Contract Start Date	Project Lead	Contract Value (per annum)	
				NLC	NELC
Telecommunications	July 2008	1 August 2009	Elayne Smith	£0.6	£1.1M

- 2.8 The proposed duration of the telecommunications contract is five years plus options to extend by a further three years.
- 2.9 Industry days were held during August 2008 to explore the market potential and for the working group to formalise a way forward to establish the contract package. Six major suppliers were consulted; each had specialist knowledge in an area of technology or service delivery.
- 2.10 This event enabled the project team to gather useful information to improve the tender documentation.
- 3. OPTIONS FOR CONSIDERATION**
- 3.1 A cross-authority team has been formed from officers from both councils to develop specifications and to consider the tenders. The group has fair representation from procurement and key users of the councils' telecommunication services. Provision has also been made to engage both councils' BSF teams.
- 3.2 The tenders are to be evaluated using the criteria of "Most Economically Advantageous Tender" (MEAT).
- 3.3 A Prior Information Notice (PIN) was issued by 1 July 2008.

- 3.4 An OJEU was issued on 28 October 2008 with a closing date of 3 December 2008.
- 3.5 A restricted procedure will be used that has two stages. Stage 1, the pre-qualification questionnaire (PQQ), enables the councils to reach, and then select, a suitable number of companies to invite to tender. Stage 2, will invite a minimum of five companies to tender.

#### **4. ANALYSIS OF OPTIONS**

##### **4.1 Option One:** Do nothing

This option would put the council in breach of procurement regulations and would not secure any value. This option is not viable.

- 4.2 **Option Two:** Continue with the procurement process. Tender, once more, on a tactical 'like for like' specification for the network design. This option is viable. Costs will be controlled but the risk will be that the council does not meet its aims of increased network resilience, limits the development of the council's services and has, by the contract's termination a network that has not been refreshed or reviewed for over a decade.

- 4.3 **Option Three:** Continue with the procurement process. Tender with the option to accept either, a 'like for like' specification for the network design, or a supplier-designed network that offers strategic benefit and increased resilience. This option is the most viable. Costs will need to be considered, as any designs proposed by suppliers will be ruled out if costs are disproportionate to the benefits of increased resilience and strategic fit. The risk is that a 'new' network will require detailed evaluation. Ensuring it is fit for purpose may potentially lengthen the procurement process and, if the decision is to use the supplier's design, there may be increases in the required resources to implement the project.

#### **5. RESOURCE IMPLICATIONS (Financial, Staffing, Property, IT)**

##### **5.1 Financial**

It is expected that the collaborative exercise will release additional savings from procuring under joint contracts.

##### **5.2 Staffing**

Awareness sessions will be marketed across the council once the new contracts have been awarded.

Ensuring a robust implementation of the new contract, minimising disruption and risk to the organisation a full-time senior IT post will be required for the first 18 months of the new contract. This is based upon the experiences encountered during the current contract.

#### **6. OTHER IMPLICATIONS (Statutory, Environmental, Diversity, Sect 17 Crime & Disorder, Risk & Other)**

##### **6.1 Statutory - None**

##### **6.2 Environment - None**

##### **6.3 Diversity - None**

6.4 Section 17 Crime & Disorder - None

6.5 Risks & Other - As mentioned with the analysis of options.

## **7. OUTCOMES OF CONSULTATION**

7.1 As mentioned in the main body of the report.

## **8. RECOMMENDATIONS**

8.1 That the findings outlined in this report are noted for information.

8.2 That option three is adopted as the approach that best fits the council's procurement procedures and offers the opportunity to consider strategic flexibility before contract award.

### **SERVICE DIRECTOR ASSET MANAGEMENT AND CULTURE**

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**Background Papers used in the preparation of this report: None.**