



West Lothian
Council

COUNCIL EXECUTIVE

PROCUREMENT ARRANGEMENTS – THE SUPPLY OF FEATURENET HOSTED TELEPHONY SERVICES

REPORT BY HEAD OF FINANCE & ESTATES

A. PURPOSE OF REPORT

To seek the Council Executive's approval to award a contract to continue the supply of FeatureNet Hosted Telephony Services. The services will be delivered to users across a large proportion of Council locations, pending migration to IP Telephony.

B. RECOMMENDATION

The Council Executive is requested to approve the direct award of a contract of one year duration with an optional one year extension to British Telecom PLC. The contract period will be 29 June 2011 to 28 June 2012 (with extension up to 28 June 2013).

C. SUMMARY OF IMPLICATIONS

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| I Council Values | Making best use of our resources, focusing on our customers' needs, and being honest, open and accountable. |
| II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment) | This contract will be awarded under the OGC Buying Solutions Telecom Networks - Voice Calls and Lines framework. This is an OJEU compliant procurement route. Direct award to a supplier is permitted under this framework where a business case for doing this exists. The business case for direct award is appended to this report. |
| III Resources - (Financial, Staffing and Property) | The costs will be met by the centralised telephony budget held by IT Services. |
| IV Consultations | Discussions have been held with the Financial Management Unit, Procurement Services, Legal and IT Services in determining the recommended approach. |

D. TERMS OF REPORT

There are currently around 2,000 users within the Council that have their telephony services delivered by BT using its FeatureNet service. These users are predominantly at corporate sites, however, there are also a small number of schools and partner organisations also using the FeatureNet contract.

The Council is currently replacing the FeatureNet service with IP Telephony (IPT) as this provides recurring cost savings. The deployment of IPT is part of the Council's IT Strategy for 2010 – 2014 and provides support for mobile and flexible working (Worksmart). The Council Executive approved the award of Local Area Network, Wide Area Network and IP Telephony contracts on 23 December 2008 with duration of five years with two one year optional extensions.

The Council's existing FeatureNet contract ends in June 2011. At this point a number of staff will remain on the FeatureNet service, and there is therefore a need to put alternative FeatureNet contract arrangements in place to ensure continuity of service to provide time to move these staff onto IPT.

It is recommended that the Council signs a new FeatureNet contract with BT for one year duration with an optional one year extension. If the Council does not commit to a term contract with BT then the FeatureNet service to remaining users will fall back to standard BT pricing, which will result in annual rentals for the service will doubling from existing levels.

The value of the FeatureNet contract will reduce as users are migrated from the service. However, the initial contract value is estimated at £491,000 per annum. This level will decrease over the contract period as further users are moved onto IPT.

It is recommended that the contract is a direct award to BT using the BuyingSolutions Telecom Networks - Voice Calls and Lines framework (Framework agreement number: RM 374/L1). The business case for direct award is set out in Appendix 1.

E. CONCLUSION

As a result of the analysis completed it is recommended that the Council Executive approves the contract award in accordance with Section B of this report.

F. BACKGROUND REFERENCES

Details of the OGC Buying Solutions framework contract can be obtained from Procurement Services.

Appendices/Attachments: Business Case for Direct Award to BT PLC.

Contact Person: Jennifer Milne.

Email: jennifer.milne@westlothian.gov.uk

Tel: (01506) 281521

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BUSINESS CASE FOR THE DIRECT AWARD OF A FEATURENET TELEPHONY CONTRACT

A large proportion of the Council's existing telephony services are delivered by BT using its FeatureNet service.

The Council is currently replacing the FeatureNet service with IP Telephony (IPT) as this provides recurring cost savings.

There are currently around 1,500 staff using the IPT system, however, unforeseen additional work caused by the move to the Civic Centre, new site builds, site moves, and system obsolescence has meant that the original timescales for replacing FeatureNet have not been met. Specifically it has been necessary to install IPT at sites outwith the original business case, including:

- Deans Community High School
- Armadale Academy
- Broxburn Academy
- New Cheviot House
- Armadale Community Education Centre
- Burgh Halls
- County Buildings.

There are currently around 2,000 staff still using the FeatureNet contract. These users are predominantly at corporate sites, however, there are also a small number of schools and partner organisations also using the FeatureNet contract.

The Council's existing FeatureNet contract ends in June 2011. At this point a number of staff will remain on the FeatureNet service, and there is therefore a need to put alternative FeatureNet contract arrangements in place to ensure continuity of service to provide time to move these staff onto IPT.

It is recommended that the Council signs a new FeatureNet contract with BT for one year duration with an optional one year extension. If the Council does not commit to a term contract with BT then the FeatureNet service to remaining users will revert to standard BT pricing, this would result in a doubling of annual rentals from existing levels and an additional revenue pressure of approximately £491,000 per annum.

It is recommended that the contract is a direct award to BT using the BuyingSolutions Telecom Networks - Voice Calls and Lines framework (Framework agreement number: RM 374/L1). Direct award to a supplier is permitted under the BuyingSolutions frameworks where a business case exists. The business case for direct award to BT is as follows:

- FeatureNet is a service regulated by Ofcom. This means that there is no scope to negotiate tariffs for the service and that a competitive procurement process would not result in the Council obtaining further FeatureNet tariff reductions.
- BT is the only supplier that offers the FeatureNet service. There is a possibility that the Council may be able to obtain a similar hosted telephony service from another supplier, however, it would take a significant amount of resource to procure the service, migrate users to another supplier and is not viable to migrate services to an interim solution prior to the contract expiry date.

- The Council is currently moving users from the FeatureNet service onto IPT. Given this, the number of users on the FeatureNet contract will be declining over the contract period. It will be difficult to negotiate favourable terms with an alternative supplier for the short term and flexible provision of services to users.
- Awarding two one year contracts to BT provides the opportunity for the Council to cease, without penalty, lines at the point of signature for each contract period. There is also an allowance of lines that can be ceased without penalty during the contract period.
- Retaining the existing BT service means there will be no service disruption to existing FeatureNet users. The Council can retain its existing service administration and billing processes meaning that resource can be focussed on migrating users to the IPT solution and so maximising revenue cost savings.
- Moving services to another supplier would mean some disruption to users, and may also necessitate a change of phone number at sites. There would be further disruption to users, and a further number change, when they were subsequently moved to IPT.