

**LONDON BOROUGH OF BRENT**

**EXECUTIVE 21 JULY 2003**

**FROM THE DIRECTOR OF CORPORATE SERVICES**

**AGENDA ITEM .....**

**REPORT TITLE: TELEPHONE SERVICE CONTRACT**

Above  Below  Confidential Line  
(Except for Appendices A and B)

**1. Summary**

- 1.1 This report outlines the outcome of a procurement exercise for the supply and maintenance of telephony equipment. It compares the outcomes with those of a previous procurement process for a Managed Telephony Service and recommends the award of a contract for the supply and maintenance of equipment to Tyco/Pinacl.

**2. Recommendations**

- 2.1 That members note the background to the procurement and the evaluation criteria, procurement processes and outcomes.
- 2.2 That members agree to award a 5 year contract for the supply, installation and maintenance of telephony equipment to Tyco/Pinacl.
- 2.3 That members reject the option of a fully managed telephony service offered by Tyco/Pinacl.

**3. Staffing Implications**

- 3.1 If the recommended course of action is agreed there will be no staffing implications except in so far as a restructure will be required to streamline the in-house operation. Full consultation with staff will be undertaken but the costings envisage the deletion of a vacant post of Telephone Manager and the termination of a temporary post.
- 3.2 In the event that members prefer the option of a fully managed telephone service, there are TUPE implications for 2 members of staff.

## **4. Financial Implications**

- 4.1 The financial implications of the various options explored are pointed out in Appendix A to this report (pink papers).
- 4.2 The costs associated with the recommended approach will be contained within existing budgets, despite the need to acquire new telephony equipment. This is achievable due to increased internal income received as a result of growth in the number of telephones in use within the authority.
- 4.3 Leasing arrangements to acquire the equipment over a 5 year period will be needed to spread the costs and contain them within the budget.

## **5 Legal Implications**

- 5.1 The procurement process undertaken for the supply, installation and maintenance of telephony equipment followed the EC Public Procurement rules under the restricted procedure for services and supplies. This is also a high value contract in accordance with the Council's standing orders and, as such, requires Executive approval for award of contract.
- 5.2 The procurement process undertaken for the fully managed telephony services followed the EC Public Procurement rules for services, using the negotiated procedure. This was also a high value contract in accordance with the Council's standing orders and, as such, required Executive approval. A report on that procurement process was submitted to the Executive on 3 February 2003 and gave rise to the further procurement process referred to in 5.1 above.

## **6. Detail**

- 6.1 A report entitled 'The Future of the Council's Telephone Network' was presented to the Corporate Deciding Committee on 13 March 2002. It indicated that the telephone network has operated on its current technical infrastructure since 1986, utilising equipment (and maintenance) supplied by MITEL Telecommunications. As much of the equipment was nearing the end of its useful life and MITEL had announced the withdrawal of 3<sup>rd</sup> line support for such equipment, consultancy had been commissioned to advise on the future course of action to replace the existing network.
- 6.2 The clear technical direction of the telecommunications industry is VOIP (Voice over IP). This means that the technology that is currently in use in computer data communications, Internet Protocol (IP), is to be utilised to transmit voice communications. The advantages of this approach are firstly, that voice and data communications may be run over one network, thus reducing costs, and, secondly, that the technology will provide for more sophisticated features that will become necessary as electronic service delivery develops.
- 6.3 The disadvantages of this approach are cost, in that IP telephony is extremely expensive and likely to remain so for 2/3 years, and the fact that a high quality communications network is required to maintain the quality of voice communication

experienced using current technology. Although plans are being developed to upgrade the Brent Data Network, it is not at present of the standard required.

- 6.4 As a result, our consultants, Improcom, advised that Brent procure a managed telephony service, which could be achieved at an anticipated cost somewhat lower than the existing in-house service. In addition, they advised that a fully managed service would reduce risks by transferring them to a supplier with greater specialist technical resources. This would also enable them to propose an imaginative technical solution and support the complex migration to IP telephony in 2/3 years when the market will have reduced the cost of this approach. This contrasts with the current reliance on a small number of staff in the in-house telephones team.
- 6.5 Members agreed this approach and a procurement exercise was duly undertaken in accordance with the EC Public Procurement negotiated procedure. The results were reported to members on 3 February 2003 and Tyco/Pinacl were selected as preferred suppliers.
- 6.6 However, in the course of the procurement of this fully managed service it became clear that the costs were higher than had been anticipated. They were compared against a possible 'in-house' scenario involving the external supply and maintenance of equipment along with the continuation of a streamlined in-house operation. This comparison gave officers reason to believe that an in house option, as described, might be more attractive to the Authority so it was agreed to conduct a further procurement for such a service, whilst continuing negotiations with Tyco/Pinacl on the terms of the fully managed service.
- 6.7 The outcome of this second procurement is now known and is summarised in Appendix A (pink papers). The full evaluation report by our consultants, Improcom, is contained in their report at Appendix B (pink papers).
- 6.8 The criteria used to judge the proposals, as agreed by members were: -
  - (i) Track record and demonstrated ability to supply, install and maintain Mitel equipment.
  - (ii) Customer orientation.
  - (iii) A quality assessment of the suppliers and the goods and services proposed.
  - (iv) Price including attractiveness of financial arrangements.
- 6.9 Eleven firms expressed an interest in tendering. These expressions of interest were considered in the light of the financial standing, technical capacity, probity, health and safety etc. criteria permitted by EC regulations and five firms were invited to tender. Three of these firms subsequently withdrew from the process leaving Tyco/Pinacl and Mitel itself as bidders.
- 6.10 Following the evaluation detailed in the Appendices (pink papers) it is recommended that Tyco/Pinacl be offered a 5 year contract to supply and maintain existing and replacement telephony equipment. It is also recommended that the option of a fully managed service is rejected on the grounds of cost.

## **7. Background Information**

### **Details of Documents**

Telephones Procurement Files I & II  
Telephones Procurement File III – Contract  
Telephones Procurement File IV – TUPE  
Second Telephones Procurement File I  
Second Telephones Procurement File II – Contract  
Best and Final Offers from Damovo, Siemens, Tyco/PinacI (fully managed service)  
Tender proposals from Tyco/PinacI and Mitel (supply and maintenance services)

Members of the Executive wishing to inspect the above papers should contact  
Bernard Diamant  
Director of Corporate Services  
Room 114, Brent Town Hall  
Wembley, Middx HA9 9HD  
Tel. No. 020 8937 1400

**BERNARD DIAMANT**  
**DIRECTOR OF CORPORATE SERVICES**