

	<p style="text-align: center;"><b>Executive</b> 17 November 2008</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
<p style="text-align: right;">Wards Affected: None</p>	
<p style="text-align: center;"><b>Authority to Award a Contract for the Provision of an Internet Protocol (IP) Telephony System</b></p>	

Forward Plan Ref: F&CR-08/09-1

### **Appendix 3 to this report is Not for Publication**

#### **1.0 Summary**

- 1.1 This report requests authority to award contracts as required by Contract Standing Order No 88. The report summarises the process undertaken in conducting a mini-competition under an existing pre-tendered OGC Framework Agreement for an Internet Protocol (IP) telephony system and following evaluation of the mini tenders, recommends to whom the contract be awarded.

#### **2.0 Recommendations**

- 2.1 That Members award the contract for an IP telephony system contract to Computacenter for a period of 5 years.

#### **3.0 Detail**

##### **The Current Situation**

- 3.1 At present, the Council has a separate Voice (Telephone) Network and Data (Computer) Network. Officers consider there are benefits in integrating these 2 networks into a single "converged" network. Such a converged network is also referred to as Voice over IP (VoIP).
- 3.2 The Council has invested over the last three years in upgrading its data infrastructure. As a result of this investment, the Council now has a local and wide area network which will fully support the convergence of IP based services onto a single infrastructure.

- 3.3 The network design was based on best practices within the networking industry using Cisco equipment. The network has now been fully installed and configured providing the Council with high network availability, effective bandwidth and Quality of Service (QoS) across the local and wide area networks. QoS, in essence, ensures that telephone conversations do not break up.
- 3.4 Other preparatory work has been done such as implementing a Council wide IP addressing scheme to enable segregation of the various services (telephone, video and data) to be converged onto the IP network and receive the required level of security, quality of service and allocated bandwidth. This level of segregation and control is important within a converged network to ensure that:-
- Security is implemented, maintained and managed – controlling who/what can access sensitive information e.g. personal/citizen information,
  - Traffic which is sensitive to delays should receive the highest priority thereby incurring minimal delay, loss of data packets or jitter which would cause e.g. telephone conversations to break up.
  - Available bandwidth is managed ensuring that critical services are guaranteed to receive minimum pre-defined bandwidth enabling them to continue operating efficiently during high network loading.
- 3.5 Officers now wish to build on the preparatory work detailed above and let a contract to integrate networks into a single “converged” network and maintain such integrated network for a period of 5 years.

### **The Benefits**

- 3.6 By utilising a single converged network to carry voice, video and data, the Council will be able to realise significant cost savings by decommissioning expensive leased lines. Currently, these lines cost £130,000 per annum. The present situation is that there are separate voice and data lines going into all buildings. This will be reduced to a single line into each building to carry both voice and data services. This will also reduce the technical management overhead for the network i.e. only needing to manage and monitor one network as opposed to two. Moving, adding or changing devices on an all IP network will be done more efficiently.
- 3.7 There will be scope for savings in cabling costs for all new sites. At present each desk requires a network point for a telephone and one for a PC. With the introduction of IP Telephony, there will be a requirement for only one network point.
- 3.8 We will be able to provide Council telephone extensions to anyone connected to the network, thus enabling a “virtual office” in the home. This will enhance our ability to provide a comprehensive working from home solution. This will allow the Council to reduce its accommodation requirements and its carbon footprint. IP Telephony will lay the foundation for the Council to adopt a comprehensive Home Working Strategy.
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- 3.9 By having IP phones at all locations, any member of staff will be able to log into any phone, anywhere on the network and that phone will assume their extension number. This will enable easy mobility particularly in a business continuity incident where relocating staff from one building to another is required. This will also support hot desking and enable a reduction of the ratio of desks to members of staff.
- 3.10 There will be a close integration with Exchange (Outlook). This will enable the Council to use Exchange both as an email and a voicemail system. Currently this is achieved by using two separate systems – Lotus Notes and Mitel Voicemail
- 3.11 Staff working from home will not incur any call charges when phoning any extension in the Council. This is regardless of their geographic location. Staff working from home will also benefit from Council-negotiated rates when making business calls to non-Council locations. With the predicted growth of home working, this could be a significant saving

#### **4.0 The Process**

- 4.1 Officers gave full consideration as to the best means of procuring an IP telephony solution. Officers concluded that the most straightforward procurement route was under a pre-existing framework agreement established in accordance with the Public Contracts Regulations 2006.
- 4.2 Officers identified two framework agreements within “Catalist”, awarded by Office for Government Commerce (OGC) Buying.Solutions, that cover the requirements of this contract. These frameworks were:
- Specialist Solutions Voice Code: A217837/L1
  - Specialist Solutions Convergent Solutions Code: A217837/L3
- 4.3 The suppliers listed on the Framework Agreements have been assessed and pre-qualified by OGC through a rigorous tendering and evaluation process and give the Council the assurance that each framework agreement offers best of breed suppliers, competitive prices and full compliance with the EU Regulations.
- 4.4 The use of these Framework Agreements was considered quicker, cheaper and easier than conducting a full OJEU procurement.
- 4.5 A Capacity Assessment was sent through OGC Buying Solutions to all suppliers shown on the 2 framework agreements. Eleven suppliers responded to OGC Buying Solutions advising that they had capacity and were able to meet the requirements of the contract and all were invited to take part in a mini-competition under the framework agreements.
- 4.6 As the Council was conducting a mini-competition under the Framework Agreements, the Council was obliged to use the evaluation criteria specified by the Framework Agreements. The Council was however able to set its own
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weighting for each of the criteria. The evaluation criteria and weightings attributed to them are as follows:

<b>Evaluation Criteria</b>	<b>Weighting</b>
Lifecycle costs	40%
Supplier capacity and capability	10%
Fitness for Purpose including Quality	50%

4.7 The sub-criteria falling under the evaluation criteria above were:

- Ability to meet requirements.
- Price/Value (TCO).
- Supplier background (including compliance with the Council's H&S and Equalities Standards) and financial stability.
- Support and distribution capabilities
- Best fit with the Council's Strategic Requirements
- References
- Proven track record in similar implementations
- Product development roadmap

**Note: a full explanation of the evaluation scoring methodology is in Appendix 1c**

4.8 Subsequently six bid submissions were received and these were evaluated with the initial results shown in Appendix 1a. The initial prices bid are shown in Appendix 2. The names of the tenderers are detailed in Appendix 3 (not for publication).

4.9 As permitted under the Framework Agreements, a shortlisting process was undertaken. The 2 lowest scoring tenders were rejected although in the event, Tenderer C (one of the lowest scoring tenderers) withdrew its tender. It was decided to shortlist 4 tenderers as all had produced different solutions that the Council considered should be investigated further.

4.10 The second stage of the evaluation included clarification visits to the 4 shortlisted tenderers and customer reference site visits where appropriate. As part of the clarification process a full analysis of the prices tendered was carried out. This disclosed amongst other things that none of and tenderers had tendered for handsets that met the Council's specification. All tenderers were therefore approached to provide pricing for handsets that met the Council's specification. This led to revised pricing from the 4 shortlisted tenderers as detailed in Appendix 2. Appendix 1b shows the changes to the evaluation scores as a result of this clarification exercise.

4.11 In view of the evaluation team's scoring as detailed in Appendix 1b, Tenderer D has been identified as the most economically advantageous tender. Officers therefore recommend awarding the contract to Tenderer D, Computercenter (using 2e2 as subcontractors) of Hatfield Business Park, Hatfield Avenue, Hatfield AL10 9TW. The contract would be for the integration of an IP telephony system and the maintenance of the existing and integrated network for a period of 5 years.

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## **5.0 Financial Implications**

- 5.1 Details of the life-cycle costs are provided in Appendix 2
- 5.2 The recommended tender from Supplier D includes one-off costs of £791k. In addition, the council will incur an estimated one-off cost of £93k for other expenditure such as additional cabling, network links and consultancy, taking total one-off costs to £884k. In line with agreement in the 2007/08 budget report to fund investments in IT on a 'invest to save' basis, it is proposed to fund these costs over 7 years, which leads to an annual cost of £159k per annum. Brent will retain the benefit of the capital investment for a minimum period of 7 years regardless of what happens to the support contract after 5 years.
- 5.3 The annual support cost in Supplier D's tender is £100k per annum. As a result the total annual costs of the scheme are £259k per annum.
- 5.4 These costs will be funded by savings/additional income of £270k per annum. This is made up as follows:
1. The Council will no longer have to meet support costs of around £100k per annum on the existing contract
  2. There will be a £130k per annum reduction in rental costs of existing lines.
  3. There will be an estimated £40k per annum additional income from bringing sites not currently on the Brent phone network onto it.
- 5.5 The net saving is therefore £11k per annum. This will contribute to overall budget savings in 2009/10. In addition, there will be unquantifiable savings in maintenance costs of local telephone systems at each site
- 5.6 In overall value for money terms, the Council will be replacing its outmoded telephony systems with up-to-date technology at less cost.

## **6.0 Legal Implications**

- 6.1 Both services and supplies are to be purchased under the proposed contract. Due to the relative breakdown between services and supplies, the proposed contract is regarded as a contract for supplies.
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- 6.2 The estimated value of this contract over its lifetime is higher than the EU threshold for Supplies contracts and the contract therefore is governed by the Public Procurement Regulations 2006. The contract is also subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations.
- 6.3 The contract for IP telephony is being procured under a Framework Agreement set up by the OGC (Catalist). The EU Regulations allow the use of framework agreements (call-off contracts) and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full EU process. The mini competition process described in this report was carried out in accordance with the requirements of the EU Regulations and Catalist rules.
- 6.4 Council Contract Standing Orders 86 (d) state that no formal tendering procedures apply where contracts are called off under a Framework Agreement established by another contracting authority, where call off under the Framework Agreement is recommended by the relevant Chief Officer. However, this is subject to the Borough Solicitor advising that participation in the Framework Agreement is legally permissible and approval to participate in the Framework being obtained from the Director of Finance and Corporate Resources. Both the Borough Solicitor and the Director of Finance and Corporate Resources have given the necessary approval.
- 6.5 In view of the contents of paragraph 6.4, Officers did not need Executive approval prior to commencing this procurement. However, Executive approval is required for the award of the contract as the estimated value of the contract is in excess of £500,000.
- 6.6 As the procurement process is a mini competition under the Catalist framework, the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period before the contract can be awarded do not apply.

## **7.0 Diversity Implications**

- 7.1 A Diversity Impact Analysis has been carried out. The project team will consult with the council's Disabled Staff Forum. The forum will assess the accessibility features of IP Telephony and report on any issues through testing. Any issues that are identified will be logged on the council's IT service desk and addressed as IT issues.

## **8.0 Staffing/Accommodation Implications (if appropriate)**

- 8.1 None
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## **9.0 Background Papers**

Specification of Requirements for an Internet Protocol Telephony System  
Invitation to Tender Documentation

## **10.0 Contact Officers**

Tony Ellis, Head of IT, Room 114, Brent Town Hall, Wembley, Middlesex HA9  
9HD, Tel. No. 020 8937 1400

**Duncan McLeod**  
**Director of Finance and Corporate Resources**

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## Initial Short-listing Evaluation

<b>Bidder</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Fitness for Purpose including Quality (out of 50)	47.64	48.05	48.47	49.04	38.57	48.44
Supplier Capacity and Capability (out of 10)	8.86	6.92	7.30	9.24	9.43	8.11
Lifecycle Costs (out of 40)	9.34	0.30	3.38	26.03	40.00	32.38
Final Scores (out of 100)	65.84	55.27	59.61	84.32	88.00	88.93
Preliminary Ranking	4	6	5	3	2	1

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## Post Supplier Visit and Clarifications

ITT Section	Maximum achievable score	A	D	E	F
Fitness for Purpose	50	43.90	44.57	36.13	41.14
Supplier Capacity and Capability	10	8.81	9.62	6.55	5.48
Lifecycle Costs	40	25.01	24.29	29.92	0.78
Final Scores	100	77.72	78.48	72.59	47.40
Final Ranking		2	1	3	4

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## **The Evaluation Scoring Process**

All bids were assessed against the following criteria:

- Fitness for Purpose (of Proposed Solution). This represented 50% of the total score
- Supplier Capacity and Capability. This represented 10% of the total score
- Lifecycle Costs. This represented 40% of the total score

### **Fitness for purpose included an assessment of:**

- The architecture and resilience of the proposed solution
- Telephony features offered
- Integration with Office Communicator Services (OCS), Active Directory and Exchange
- Ease of Version Upgrades
- Plans for the Pilot
- Other requirements within the Specification

### **Supplier Capacity and Capability included:**

- Supplier's ability to support a Converged Solution
- Supplier's ability to support all Transitional Arrangements
- Supplier's Accreditations and Value Added to the Council

### **Lifecycle Costs included:**

#### Capital Costs

- Servers, Appliances and Gateways
- Handsets
- Applications and Licences
- Professional Services

#### Revenue Costs Included:

- Ongoing Support, Maintenance and Training

The overall scores take account of the following:

- Initial evaluation – a paper exercise based on reading the ITT response
- Final evaluation – a group exercise based on supplier and reference visits

### **Fitness for Purpose**

The final score is the sum of the initial and final evaluations divided by 2.

This gives equal weight to the both aspects of the evaluation.

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### **Supplier Capacity and Capability**

The final score is the sum of the initial and final evaluations divided by 2.

This gives equal weight to the both aspects of the evaluation.

### **Lifecycle Costs**

For each supplier, the capital cost is added to the 5 year revenue cost to arrive at the total lifecycle cost.

The total lifecycle costs are added together and divided by the number of suppliers to arrive at the mean lifecycle cost.

Each Supplier scores half price points for the mean price, i.e. 20 points.

Suppliers gain 2% of available price points (40) for every 1% below the mean price to a maximum of 40

Suppliers lose 2% of available price points (40) for every 1% above the mean price to a minimum of 0.

### **Final Score**

The final score is calculated by adding the individual scores together as follows:

Fitness for purpose (out of 50) + Supplier capacity and capability (out of 10) + Lifecycle costs (out of 40)

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## PRICING GRID

**Lifecycle Costs as per Initial Bids**

<b>Supplier</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Capital Costs	£1,033,728	£1,072,114	£1,038,725	£905,992	£657,784	£699,818
5 year Maintenance Costs	£407,157	£512,513	£489,740	£269,591	£166,680	£374,970
Total Lifecycle Costs	£1,440,885	£1,584,626	£1,528,465	£1,175,583	£824,464	£1,074,788

**Lifecycle Costs Following the Clarification Process**

<b>Supplier</b>	<b>A</b>	<b>D</b>	<b>E</b>	<b>F</b>
Capital Costs	£776,181	£790,889	£760,630	£846,920
5 year Maintenance Costs	£505,073	£502,668	£436,885	£848,470
Total Lifecycle Costs	£1,281,254	£1,293,557	£1,197,485	£1,695,390

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