



Haringey Council

Agenda item:

[No.]

Procurement Committee

On July 29th 2008

Report Title: **IP Telephony Procurement**

Forward Plan reference number (if applicable):

Report of: **Director of Corporate Resources**

Wards(s) affected: **None**

Report for: **Key Decision**

1. Purpose

- 1.1 To seek approval to award the contract for Project Management support services for design and implementation of the IP Telephony system.
- 1.2 To seek approval to award the contract for the procurement of the Contact Centre IP (Internet Protocol) Telephony equipment.
- 1.3 To seek approval of the general procurement approach for sourcing provision of the remaining elements of the IP Telephony system.

2. Introduction by Cabinet Member (if necessary)

- 2.1 The Council's Telephony system is due for replacement to enable business continuity and to ensure that we continue to serve the residents of the Borough and other clients, through the provision of a robust and effective telephony system.
- 2.2 Whilst commending the recommendations for approval, officers must ensure that the Council's interest is protected from a service level point and that the exit strategy is deliverable.

3. Recommendations

- 3.1 That Members agree the award of the contract for Project Management support services for design and implementation of the IP Telephony system to the Service Provider stated in Appendix 1A, paragraph 15.1.2;
- 3.2 That Members agree the award of the contract for the procurement of the Contact Centre IP (Internet Protocol) Telephony equipment to the Service Provider stated in Appendix 1A, paragraph 15.1.2;

3.3 That Members approve as a general procurement approach for sourcing provision of the remaining elements of the IP Telephony system that further call off contracts be awarded under an Eastern Shires Purchasing Organisation (“ESPO”) framework agreement where this provides overall best value for money as outlined in this report.

Report Authorised by: **Julie Parker – Director of Corporate Resources**

Signed

Contact Officer: **Rod Murray, IT Operations Manager, IT Services, 3rd floor River Park House, x3331.**

4. Chief Finance Officer Comments

4.1 The Chief Financial officer has been consulted over the contents of this report and concurs that £1.250m has been allocated to fund this project by Cabinet when it considered the overall capital programme and further more by the Corporate Prioritisation Board in May 2008, endorsed by the Lead Member for Resources.

4.2 The profiled spend for this project is still to be fully firmed up but as highlighted in paragraph 9.2 it is likely to span 2008/09 (£250k) & 2009/10 (£1,000k).

4.3 The proposed procurement and implementation of the proposed system via the recommended service provider appears to offer best value for the authority and should also minimise the risks associated with implementing a project of this complexity. The capital investment will also enable the Council to build in increased resilience and respond to developing demands and should enable significant revenue efficiencies to be delivered.

5. Head of Legal Services Comments

5.1 This report is recommending that Members agree to award two contracts to the service provider named in App. 1A. One contract, for project management support services, is valued below the EU threshold for services (£139,893). The contract value is set out in a table at 15.1.1 in App. 1A (see Technical Resources). There is therefore no requirement to tender it in the EU. The value of the second contract, for supply of contact centre telephony equipment, is as set out in the same table in App. 1A. It is above the EU threshold for goods (£139,893) and would normally be subject to EU tendering.

5.2 However, the report is recommending that these contracts should be procured using a framework agreement set up by the Eastern Shires Purchasing Organisation (ESPO), a consortium of local authorities. This is a central purchasing body (“CPB”) as defined under the Public Contract Regulations 2006 (“PCR”). Reg. 22 of the PCR allows local authorities to buy goods or services through a CPB. Once the CPB’s procurement arrangements are compliant with EU requirements, a purchase by the local authority through the CPB is also deemed EU compliant.

5.3 ESPO has set up a framework agreement using a tendering process which it has certified as EU compliant. The award by the Council of call off contracts under this framework is therefore EU compliant as it is a purchase through a CPB using an EU

compliant procedure.

5.4 Under Contract Standing Order 6.09(b), where the Council procures goods or services by selecting a contractor from a framework set up by a public sector body in accordance with EU rules, CSO do not apply except that the contract award must still be made in accordance with usual CSO award procedures.

5.5 As the contract for contact centre telephony equipment exceeds £250,000, the award of this contract must be made by Cabinet Procurement Committee under CSO 11.03. This says that Cabinet must award all contracts over this value. The Committee may also award the contract for management support services.

5.6 Provided that further call offs under the ESPO framework agreement to procure the remaining IP Telephony project phases continue to be done on a best value basis within the ESPO framework terms, there is no legal reason preventing further use of this procurement approach.

5.7 The Head of Legal Services confirms that there are no legal reasons preventing Members from approving the recommendations in paragraph 3 of this report.

6. Head of Corporate Procurement Comments

6.1 Contract management systems are established both at ESPO and within the Council and these will enable the Council to minimise any risk of non compliance.

6.2 The recommendation is in line with the procurement Code of Practice.

6.3 The use of the framework agreements is an efficient procurement process and the identified supplier represents value for money Council as benchmarked against the average prices on the framework agreements.

6.4 This recommendation minimises risk to the Council as the framework has been let through an EU compliant tendering process.

7. Local Government (Access to Information) Act 1985

7.1 This report contains exempt and non-exempt information. Exempt information is contained in Appendix 1A and is **not for publication**. The exempt information is under the following category (identified in the amended schedule 12A of the Local Government Act 1972)

(3) information relating to the financial or business affairs of any particular person (including the authority holding that information).

7.2 Background papers:

- IP Telephony Business Case
- Letter from technology manufacturer confirming pricing policy
- Gold Partner Accreditation
- ESPO Framework Agreement background and operating procedures

8 Strategic Implications

- 8.1 The implementation of IP Telephony is an enabling project for the Smart Working Stream of the Achieving Excellence Programme. It has already been used in pilot mode for home-workers. It allows staff to keep their original office extension numbers, when working at home or in the Council offices, and calls to and from the Council are free.

9 Financial Implications

- 9.1 The capital programme includes £1,250,000 for this project, this will be spread over 2008/09 and 2009/10.

10 Legal Implications

- 10.1 It is proposed to procure the elements of the IP Telephony project by using the ESPO Framework Agreement for IT Hardware and Associated Services where this provides overall best value for money. Use of this framework agreement complies with EU procurement rules and with the Council's Contract Standing Orders.. This Framework was competed very recently as it commenced on 1st May 2008 and runs for two years with the option to extend for a further two years.
- 10.2 The Terms and Conditions for this Framework Agreement include obligations around performance, quality, legal compliance, liquidated damages, licence to use software (where appropriate), insurance cover (£10M each for Public Liability, Product Liability and Employer's Liability and £5M for Professional Indemnity insurance which provide higher cover overall than Haringey's standard requirements), termination, IPR, invoicing and acceptance procedures and other conditions are comparable to those that would be used in a standard Haringey contract.
- 10.3 ESPO monitors the overall progress and performance of contractors and the Framework Agreement includes a monitoring form for feedback to be given to ESPO.

11 Equalities Implications

- 11.1 The IP Telephony system supports both the home and flexible working initiatives in the Achieving Excellence Programme.

12 Consultation

- 12.1 The IP Telephony project has been subject to internal consultation at the Corporate Prioritisation Board, the Information and Knowledge Management Stream Board as well as the Smart Working Stream Board.
- 12.2 The Project is being governed by the Achieving Excellence Programme, within the Smart Working Stream, and in accordance with the Council's Project Management Framework (PMF).

13 Background

- 13.1 The Council's data network is based on technology provided by the worldwide leader in networking the Internet. When considering the replacement of the existing telephone system to one which was IP (Internet Protocol) based, it was the considered opinion that the same technology base as the data network should be selected, because: -
- Compatibility and integration issues are removed or minimised.
 - future interoperability of both the IP Telephony and data network environments can be ensured.

- There is an extensive product range based on this technology that meets and exceeds the Council's needs.
- IT Services and the current network service provider's staff are already trained in working with this technology and these products and solutions, and so training costs and time will be reduced.
- The BSF (Building Schools of the Future) bidders are also proposing solutions based on the same technology, and so later integration with schools will be simplified.

The equipment replaces the existing telephone system that has exceeded its planned 10 year lifespan as reported in the Corporate Services Sub-Committee of 11th September 1997. The manufacturer of the underlying technology on which the data network and proposed IP Telephony solution is based provides its technology through an indirect model, using resellers and partners to sell their products. The recommended IP Telephony service provider has Gold Partner accreditation with the manufacturer and is in Category 2 (ICT Network Solutions) and Category 10 (Managed ICT Service Provision) of the ESPO Framework Agreement.

- 13.2 The prices offered will be market tested periodically to ensure their margins are in line with other competitors.
- 13.3 It is proposed that overall project delivery will be set out in several phases and that all the phases will be procured by accessing the ESPO Framework Agreement for IT Hardware and Associated Services in accordance with the Framework Terms and Conditions referred to in paragraph 10. However, each phase will be procured as a separate call-off under this framework agreement at the appropriate times, rather than one large procurement called off in one go. Each phase will have an output specification detailing the services to be provided and the required equipment to support that service.
- 13.4 The value of the majority of the phases will be below £250K so Director approval will be sought for these orders. The exception to this is the Contact Centre IP Telephony equipment phase which requires Procurement Committee award approval as it is valued above £250K. Approval is therefore sought in this report for the award of this contract by way of call off under the ESPO framework agreement as well as for the Project Management support services which will be needed early in the project.
- 13.5 Based on the output specifications for the Contact Centre and for the Project Management services the service provider referred to in Appendix 1A, paragraph 15.1.2 has been identified as best able to provide best value for money amongst the service providers on the ESPO framework referred to in paragraph 13.6. The overall indicative list of project hours and equipment is detailed in table Budget in Appendix 1A.
- 13.6 The project has considered the return on investment of moving to the new IP telephony solution. Based on the current data available it is envisaged that the capital funds used for the project will be recovered by revenue savings in a period of 5 years. The detail of these revenue savings are detailed in table ROI in Appendix 1A.

- 13.7 The project will be managed under the Council's Project Management Framework (PMF) and report to the Smart Working Stream Board, part of the Achieving Excellence Programme.
- 13.8 Implementation resources will be minimised as the project will be undertaken predominantly by IT Services and the service provider's existing on-site staff. This will help ensure that the implemented solution is sustainable and well understood by the team who will manage it going forward.
- 13.9 The recommended service provider is also the Council's network service provider and, as such, has recently been confirmed to remain so for a further 3 years after successfully completing the initial 2 year period.
- 13.10 Recent changes within the Council, such as setting up the Home for Haringey Control Centre has exhausted any spare ACD (Automatic Call Distribution) licences. Ericsson has made the current ACD system end of life and so the Council is unable to procure additions.
- 13.11 The Council however, is looking to extend various service areas that need the ACD functionality, but are unable to due to the inability to procure additional licences, driving a need to provide an alternate solution rapidly.

14 Conclusion

- 14.1 The Council has a number of burgeoning requirements to extend its telephony services and improve its resilience and disaster recovery capabilities.
- 14.2 Therefore, it is recommended that Members approve the immediate award to the service provider named in Appendix 1A, paragraph 15.1.2, of two contracts namely: 1) the contract for the Project Management support services for design and implementation of the IP Telephony system; and 2) the contract for provision of the Contact Centre IP (Internet Protocol) Telephony equipment.
- 14.3 It is also recommended that the Council utilise the existing ESPO Framework Agreement for IT Hardware and Associated Services to procure the remaining phases of the project. This would minimise the procurement effort whilst complying with Contract Standing Orders and EU Procurement Regulations. It would also deliver cost savings and lower risks in the project delivery and provide a more sustainable solution.

15 Use of Appendices / Tables / Photographs

15.1 Appendix 1A: 15.1.1 Budget

15.1.2 Extract of Supplier's Schedule of Rates

15.1.3 Return on Investment