

# Report

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Report to:	<b>Finance and Information Technology Resources Committee</b>
Date of Meeting:	<b>19 May 2009</b>
Report by:	<b>Executive Director (Finance and Information Technology Resources)</b>

Subject:	<b>Supply of Mobile Communications Services</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ Advise of action taken in terms of Standing Order No 36(c) because of the timescales involved, by the Executive Director (Finance and Information Technology Resources), in consultation with the Chair and an ex officio member, to appoint Vodafone UK as supplier of the Council's mobile communications services following the evaluation of supplier offers for the provision of mobile communications services.

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

(1) that the following action taken, in terms of Standing Order No 36(c), by the Executive Director (Finance and Information Technology Resources), in consultation with the Chair and an ex officio member, be noted:-

- ♦ the appointment of Vodafone UK as supplier to the Council of mobile communications services, under the terms of the Office of Government Commerce "Catalist" Mobile Solutions Framework, for the period May 2009 to May 2013.

## 3. Background

- 3.1. At the Finance and Information Technology Resources Committee of 9 December 2008, the Head of Information Technology Services reported on the requirement to refresh the Council's procurement agreement, currently held by Vodafone UK, for the supply of mobile communications services. These services are procured from the Catalist Mobile Solutions Framework contract, operated by the Office of Government Commerce Buying Solutions procurement group. The framework provides Government and other Public Sector bodies with access to a range of pre-tendered mobile services, including bespoke tariffs, service management and billing and technical support.
- 3.2. The current agreement with Vodafone was made under the terms of the first iteration of the Mobile Solutions Framework contract, which ended on 31 December 2008. Existing contracts procured under that Agreement will continue for up to two years from the expiry of the framework.

- 3.3. The re-procurement of the framework was completed in October 2008 and the revised framework was launched in January 2009. It will run for an initial period of two years, with two extensions of one year to be exercised at the discretion of the Office of Government Commerce Buying Solutions.
- 3.4. Lot 1 of the framework contract provides access to commoditised pricing for mobile services from the following suppliers:
- British Telecom Mobile
  - O<sup>2</sup>
  - Orange
  - T-Mobile
  - Vodafone
- 3.5. At February 2009, the Council operated some 4,200 mobile telephones, 280 Blackberry handheld devices and around 600 mobile data modems embedded in laptops, Personal Digital Assistants and in the Council's fleet vehicles. Overall contract costs, at February 2009, were approximately £41k per month.
- 3.6. Across the UK, more than 1m public sector subscribers are signed to the framework.

#### **4. Compliance**

- 4.1. The Mobile Solutions Framework is procured in a manner that is compliant with applicable UK and European procurement rules. Contractors appointed to the framework have demonstrated compliance with a range of financial and regulatory standards during the process of tendering for inclusion.

#### **5. Supplier Evaluation**

- 5.1. Authorities wishing to procure from the Framework may select contractors on the basis of a review of each supplier's offer against local usage profiles, business requirements and technical considerations. The Office of Government Commerce specifies the headline criteria - listed below in decreasing order of importance - that must be used by subscribing Authorities in their evaluation of supplier offers. Subscribing Authorities are permitted to assign their own weightings to these criteria. The relative weightings used in the evaluation are indicated.

- **Price and Running Costs** **Weighting: 40%**  
**Inc:**
  - Comparative costs for mobile voice call and rental charges, based on the Council's current and anticipated usage profiles
  - Costs for a dedicated connection carrying calls made from the corporate telephone network to the supplier's mobile network
  - Costs for mobile data services, including 3G, Blackberry, based on the current and anticipated usage profiles
- **Technical Merit** **Weighting: 35%**  
**Inc:**
  - The measurement of network coverage and performance for voice and data services at a number of key locations across the Council area
  - Comparison of published, UK-wide coverage maps
  - Comparison of published Service Levels for network and service availability, call set up success rates, etc.
  - The availability of a range of mobile devices and accessories
- **After Sales Service** **Weighting: 20%**

**Inc:**

- Account and service management functions
- Billing and cost management functions
- Supplier approach to the management of issues around network coverage and performance

• **Environmental Characteristics      Weighting: 5%**

**Inc:**

- Compliance with applicable legislation
- Approach to handset recycling
- Commitment to reducing CO2 emissions
- Infrastructure / mast sharing
- “Green” consultancy services
- Ethical and environmentally sustainable procurement processes

**6. Evaluation Outcomes**

- 6.1. The evaluation of framework offers commenced in early January 2009. The outcomes of the evaluation are included with the background papers, and are summarised below:

Table 1. Evaluation summary

Criterion	Vodafone	Orange	O2	T-Mobile	BT Mobile
<b>Cost Effectiveness, 4 year</b>	38.65	34.76	37.19	<b>40.00</b>	31.56
<b>Technical Merit</b>	<b>35.00</b>	25.40	29.59	31.59	34.27
<b>After Sales Service</b>	<b>20.00</b>	19.54	17.60	8.25	8.25
<b>Environmental Characteristics</b>	<b>5.00</b>	4.47	4.34	2.76	2.11
<b>TOTAL SCORES (4 year)</b>	98.65	84.18	88.73	82.61	76.18
<b>RANK</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>5</b>

- 6.2. Committee is asked to note the outcome of the evaluation, which is that the proposal from Vodafone offers the most cost effective combination of price / running costs, technical merit, after-sales support and environmental characteristics. The recommendation of the evaluation group is that a four year agreement be implemented with Vodafone UK, to commence in May 2009.
- 6.3. The Vodafone offer is not the lowest cost, being around 3.5% higher than the T-Mobile offer. However, testing of coverage and performance at locations across the Council, indicate that the Vodafone network offered the most comprehensive service for both voice and data, and by a significant margin. Network coverage, especially in relation to high speed data services, will play an increasingly important strategic role in the modernisation of Council services. In addition, the after-sales service specified in the Vodafone offer was found to provide the most comprehensive range of support and service development facilities.

- 6.4. The estimated contract value under the Vodafone offer is £2.76m, with anticipated year one costs of around £530k. Costs for the typical mobile phone user will decrease by around 9%, compared to the tariff in operation pre-January 2009. Total annual savings of around £40k are anticipated, based on current levels of usage.
- 6.5. Guidance from the Strategic Procurement group indicates that, since the framework procurement included a mandatory standstill period at its completion, there is no requirement on the part of Contracting Authorities to observe a second standstill period between the identification of a preferred supplier and submission of the framework order form to the supplier. This advice was echoed by Buying Solutions. Therefore, work to enter into an agreement with Vodafone can begin immediately.

## 7. Tariffs

- 7.1. Vodafone offered existing subscribers the opportunity to adopt the new tariff immediately the new framework came into operation, so the Council is already benefiting from the revised rates. The key elements of the old and new tariffs are compared below:

Table 2. Tariff summary

Element	Old	New
<b>GSM Voice – line rental (per month)</b>	£2.50	£2.00
<b>Local / national calls (per minute)</b>	3.0p	2.7p
<b>Calls to Vodafone (per minute)</b>	3.0p	3.0p
<b>Calls to other mobile network (per minute)</b>	11.0p	9.5p
<b>SMS (per text)</b>	3.5p	Unchanged
<b>Blackberry with voice service – line rental (per month)</b>	£17 (inc. 50MB data transfer allowance)	£15 (inc. 500MB data transfer allowance)
<b>Mobile data – low user (per month)</b>	£6.75 (inc. 10MB data transfer allowance)	Unchanged
<b>Mobile data – high user (per month)</b>	£20 (inc. 5GB data transfer allowance)	Unchanged

- 7.2. No connection charge is applied to new or existing airtime contracts, which will be of two years' duration and will include a £50 credit to be redeemed against the cost of a suitable handset. For most mobile phone users, this will mean that the handset is provided free of charge. Blackberry handsets are similarly subsidised and cost between £115 and £250, depending on model and a wide range of accessories are available.
- 7.3. At the end of the initial two year contract period, airtime accounts continue in operation at the tariff rate described above until they are cancelled. Handsets become eligible for replacement at a subsidised price after two years, and can be replaced before they are two years, but at non-subsidised prices.

## 8. Employee Implications

- 8.1. None.

## 9. Financial Implications

- 9.1. The costs of the goods and services provided from the contract are largely borne by individual Resource budgets. Subsequent changes to tariffs will be communicated as they become apparent.

## **10. Other Implications**

10.1. None

## **11. Equality Impact Assessment and Consultation Arrangements**

11.1. There was no requirement to perform an impact assessment in relation to his report. However, the evaluation of network coverage and performance indicates that Vodafone offers the highest levels of coverage for voice and data in the South Lanarkshire Council area.

11.2. Legal Services and Strategic Procurement were consulted during the evaluation process and in the generation of this report and have approved its contents.

**Linda Hardie**

**Executive Director (Finance and Information Technology Resources)**

30 March 2009

### **Link(s) to Council Values and Objectives**

- ◆ Value: Accountable, Effective and Efficient

### **Previous References**

- ◆ Report to Finance and IT Resources Committee 9 December 2008

### **List of Background Papers**

- ◆ Various supplier framework offers and supporting documentation
- ◆ Data relating to the evaluation of supplier responses
- ◆ Framework Terms & Conditions
- ◆ Framework Order Form
- ◆ Correspondence between parties involved

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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