

# Report

# 11

Report to:	<b>Finance and Information Technology Resources Committee</b>
Date of Meeting:	<b>14 June 2011</b>
Report by:	<b>Chief Executive</b>

Subject:	<b>Contract for the Provision of Enterprise Broadband Services</b>
----------	--

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Advise of progress in the delivery of secure remote access services via broadband
- ◆ Advise of the approval by the Chief Executive under section 14.3 of Standing Orders on contracts to implement a 12 month extension for provision of enterprise broadband services
- ◆ Describe plans for the procurement of a refreshed contract for broadband networking services.

## 2. Recommendation(s)

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

- (1) that the action taken by the Chief Executive to enter into a 12 month contract extension with Virginmedia for the period 12 July 2011 to 11 July 2012 is noted.

## 3. Background

- 3.1. In Dec 2006, following a successful one-year pilot of a broadband-based network access service by a group of 11 Elected Members, the Council entered into a 3 year agreement with Telewest (now Virginmedia Business) for delivery of broadband services. The services delivered provide private, secure, supported access to information systems resident on the Council's IT network, and to the Internet, from virtually any location served by a British Telecom telephone exchange.
- 3.2. Since the contract was implemented, a number of additional applications for broadband technology have been identified. In particular, it is now also used to support a significant number of smaller Council offices and other operating bases with low end IT requirements, where it offers a cost-effective approach to service delivery when compared to more traditional approaches. In total, some 140 sites are now connected to the broadband network, including Sheltered Housing complexes, Leisure Centres and residential care services.
- 3.3. In order to avoid a transition between suppliers of broadband at the end of the original contract term coinciding with the (then) planned dates for Council elections in mid 2010, the contractual option to extend for a four year period from July 2007 was exercised. This contract extension period expires in July 2011.

- 3.4. The annual value of the contract is approximately £120,000, £93,000 of which being the rental charges for individual broadband delivery, and the remainder representing the central, shared elements of the service.
- 3.5. The contract should now be re-procured. Work on the procurement process was originally planned to start in October 2010, but was deferred while other priority work, in particular the re-procurement of contracts for fixed line telephony services and telephone systems maintenance, was completed. This had the effect of delaying project start till March 2011.
- 3.6. Broadband will form one element of a larger contract for the supply of a range of network connectivity services, in particular leased lines and, potentially, private fibre optic and point-to-point wireless services.
- 3.7. The definition of a suitable specification, completion of the procurement activity and the implementation of contract(s), including any transition of services resulting from a change of supplier, is expected to take around twelve to fifteenth months. Work on the specification is underway and will be undertaken by the IT Networks section. A project mandate has been drafted (IFNW118) and discussions with Business Systems teams will be held to determine the anticipated forward requirements for broadband services and inform the content of the tender specification.
- 3.8. The tendering procedure will address the emerging business requirement for a wider set of broadband services at a range of service levels and price points aligned to business requirements and available budgets. Solutions will continue to comply with applicable security standards.
- 3.9. Discussions with Legal and Procurement Services to define the requirement and confirm the procurement process and contract structure are underway. However, there is insufficient time to complete the re-procurement project before the end of the existing Virginmedia broadband contract in July. It is anticipated that the tender will be published via the Official Journal of the European Union in June / July 2011.
- 3.10. Due to the need to procure a broader range of connectivity services and the need to devise a specification for the procurement of this broader range of services, plus the time likely to be required to manage any resulting supplier transition, the only reasonable way to ensure continuity of the current service is to negotiate an extension of the existing service for a further 12 months in terms of S14.3 of Standing Orders on Contracts.
- 3.11. Such an arrangement would allow for continuity of existing services, and the timing may offer an additional benefit to Members Services such that new Members coming into the Council following the 2012 Elections will be able to access the broader range of services, and potential cost saving opportunities, available from the new term contract.
- 3.12. The conditions set out in S14.3 are met, namely that the original contract was won in competition; and; (ii) unit costs in respect of providing those particular services have not increased by more than 10% (after making allowance for the rate of inflation by use of the Consumer Price Index) over those contained in the original contract; (iii) the extension proposed is reasonable in all the circumstances; (iv) the period of extension does not exceed the original period of the original contract or 3 years whatever is the shorter; and (v) the original contract has not previously been extended under Standing Orders.

3.13. Virginmedia Business has agreed to extend the service provided under the contract for a period of twelve months.

#### **4. Employee Implications**

4.1. Management of the procurement process and any supplier transition that results will be undertaken by Information Technology Services.

#### **5. Financial Implications**

5.1. The cost of the twelve month extension will be approximately £120,000.

6.2. No costs will arise from the re-procurement activity. The cost of individual broadband services will continue to be funded from Resource budgets, while the cost of those elements of the service that are shared by end users will be funded from IT budgets.

6.3. It is anticipated that the next iteration of the broadband contract will include a range of service levels / price points and generate savings opportunities for home users in particular. However, should business requirements predicate enhanced levels of resilience or network capacity, additional funding will require to be identified.

#### **6. Other Implications**

6.1. The main risks associated with the contract are failure of the supplier's broadband network, as supplied by British Telecom, and the potential failure to complete a complex transition-out process by the end of the extension period, should the tender process result in a change of supplier. The risk of service failure has been assessed as low, given the contractor's and sub-contractor's commitment to maintaining and developing broadband services.

6.2. The transition-out issue will be discussed during the process of agreeing the terms of the extension, where a degree of flexibility on the contractor's part will be required – the contractor has already expressed its intention to accommodate the Council's requirements. Roles and responsibilities for the management of any future transition will be defined within the tender specification.

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

7.1. There was no requirement to carry out an impact assessments in terms of the proposals contained within this report.

7.2. Legal Services and Procurement Services have been consulted as input to the report.

**Archibald Strang**  
**Chief Executive**

30 April 2011

#### **Link(s) to Council Values/Improvement Themes/Objectives**

◆ Value: Accountable, effective and efficient

#### **Previous References**

None

## **List of Background Papers**

- ◆ Contract Definition / Service Level Agreement

## **Contact for Further Information**

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

Kay Brown, Head of Information Technology

Ext: 4344 (Tel: 01698 454344)

E-mail: [kay.brown@southlanarkshire.gov.uk](mailto:kay.brown@southlanarkshire.gov.uk)