

# Report

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Report to:	<b>Finance and Information Technology Resources Committee</b>
Date of Meeting:	<b>22 November 2011</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Contract for Small/Medium Telephone Systems</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Advise on the award of the contract for the maintenance and supply of small / medium telephone systems and commodity items to the successful tenderer

## 2. Recommendation(s)

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

- (1) that the action taken, in terms of Paragraph 20.2 of the Standing Orders on Contracts, by the Executive Director (Finance and Corporate Resources), in consultation with the Chair and an ex officio member, to award the contract for the maintenance and supply of small / medium telephone systems and associated accessories to Wellwood Communications Limited for a four year period from February 2012 to January 2016, with an optional three year extension be noted.

## 3. Background

- 3.1. The provision of an efficient, reliable and robust telecommunications service is critical to the delivery of many Council services. Council employees at over 200 sites, predominantly Education establishments, are provided with access to the public telephone network via small scale telephone systems.
- 3.2. Following a competitive tendering process carried out in 2005, Scotphone Ltd was contracted to provide services including the provision of new telephone systems, and maintenance of the Council's existing telephone system estate. The contract period ended on 1 February 2008, and following approval, a three year contractual extension was implemented.
- 3.3. The total value of the contract at March 2010 was £356,228.
- 3.4. In May 2010, a team was put in place to complete the tender process for contract renewal. However, the tender process was stopped due to an issue with the financial assessment forming part of the Pre-Qualification process.
- 3.5. Following approval by the Chief Executive, a further 12 month contract extension was implemented with the incumbent supplier Scotphone ICS, effective from 1 February 2011.

#### **4. Tender Process**

- 4.1. The tender process was restarted in June 2011. An invitation to tender for the maintenance and supply of small / medium telephone systems and commodity items for the period February 2012 to January 2016 was advertised in the European Journal and via online portals.
- 4.2. A total of 46 applicants expressed an interest and were duly issued with a Pre-Qualification Questionnaire on 31 May 2011.
- 4.3. The Pre-Qualification Questionnaire was compiled in conjunction with Legal Services. Information was also requested on the applicant's capacity, including engineering capability, technical experience, training programmes and similar contracts held.
- 4.4. A total of fourteen applicants returned duly completed Pre-Qualification Questionnaire forms. A subjective evaluation of the Pre-Qualification Questionnaire led to a shortlist of eight applicants best placed to meet the Council's requirements.
- 4.5. The tender specification, which detailed various technical requirements, was issued to the eight shortlisted applicants on 1 August 2011. The list of tenderers comprised the following:
  - Integrated Communications (Scotland) Ltd
  - Siemens Enterprise Communications Limited
  - Telecom Resource
  - Wellwood Communications Limited
  - Commsworld Limited
  - Azzurri Communications Limited
  - Digital IP Limited
  - Exactive Limited

#### **5. Tender Response**

- 5.1. A total of four bids were received by the closing date of 5 September 2011, from:
  - Scotphone ICS
  - Siemens Enterprise Communications Limited
  - Telecom Resource
  - Wellwood Communications Limited
- 5.2. The following four applicants failed to submit a tender response:
  - Azzurri Communications Limited
  - Digital IP Limited
  - Commsworld Limited
  - Exactive Limited
- 5.3. The four tender submissions were evaluated against a pre-determined set of criteria designed to identify each applicant's suitability in terms of technical ability, a proven track record, consultancy services, and service management. The evaluation panel sought formal clarification from each of the applicants on a number of technical, pricing and service related matters to ensure fairness and consistency.

5.4. The outcome of the evaluation was as follows:

<b>Applicant</b>	<b>Quality Score (65%)</b>	<b>Price (35%)</b>	<b>Overall Price / Quality Score</b>	<b>Overall Ranking</b>
Wellwood Communications Limited	1030	£423,334	100	1
Applicant 2	847.5	£614,277	77.60	2
Applicant 3	552.5	£480,712	65.69	3
Applicant 4	477.5	£623,987	53.88	4

5.5. Wellwood Communications Limited has confirmed compliance with all of the Council's regulatory requirements and has demonstrated that it can deliver on the Council's technical requirements in a professional manner.

5.6. The offer from Wellwood Communications Limited complies with the Council's Terms and Conditions and passed the Council's standard financial appraisal process.

## **6. Risk Assessment**

6.1. The financial evaluation indicated that the maximum recommended contract value for contracts with Wellwood is significantly lower than the actual contract value. This outcome is largely the result of the relative newness of the company, which was founded in 2009 and so has a limited trading record.

6.2. The risk of this has been discussed with Audit and Improvement Services and the following mitigations have been identified;

- Wellwood is a subsidiary of the parent company Wellmore Homes Limited. The Council will secure a parent company guarantee from Wellmore to support its subsidiary over the duration of the contract
- Pay maintenance invoice quarterly in arrears
- Pay for newly procured systems upon receipt of customer acceptance
- Convene periodic contract meetings to monitor service level performance and financial standing
- Careful management of Council processes to ensure prompt payment of all invoices

## **7. Evaluation**

7.1. The outcome of the evaluation was that the offer from Wellwood Communications Limited was identified as being the most economically advantageous tender offering the lowest price, and achieved the highest quality and technical score. The evaluation panel recommended that a 4 year, contract from February 2012, be awarded to Wellwood Communications Limited with the option for the Council to extend the contract for a further period of up to 3 years subject to satisfactory performance and the availability of funding.

## **8. Employee Implications**

8.1. Implementation of the service, and ongoing management of the contract, will be undertaken jointly by Wellwood Communications Limited and members of Information Technology Services.

8.2. Contractual review meetings will be managed by Procurement Services, initially on a quarterly basis, with assistance from Finance Services to review Wellwood's financial standing.

## **9. Financial Implications**

9.1. The costs for procurement of new systems and ongoing maintenance of the existing estate are borne by individual Resource budgets.

9.2. Based on the Council's current network estate the value of the maintenance services to be supplied by Wellwood Communications Limited during the four year contract term is expected to be £131,640.

9.3. This offers an estimated saving of £32,000 over the four year contract term, based on the Council's existing small telephone switch estate.

9.4. Wellwood have included a number of financial incentives including a year-on-year 10% reduction in maintenance costs for any site that does not require an engineering visit to rectify a fault within the contract year. In addition they have also offered the free replacement of seven unsupportable legacy systems along with reductions in the cost of replacement of systems nearing obsolescence.

9.5. Supply of Other Services -

The cost for the supply of other services is as follows:

<b>Service Description</b>	<b>Estimated Cost (for contract term)</b>
Price Book	£1,200
Onsite user training	£3,900
Commodity Items (cables, adapters, standard telephone handsets)	£26,989

## **10. Other Implications**

10.1. A risk assessment of the proposal is detailed in paragraph 6 above

10.2. There are no implications for sustainability in terms of the information contained in this report

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

11.1. There was no requirement to undertake any consultation in respect of Equality in terms of the information contained in this report. However, Wellwood is required to provide an annual report into its compliance with Equalities legislation.

11.2. The Council's Legal Services section was consulted regarding the proposed contract period and compliance with Council Standing Orders.

11.3. The Council's Accounting and Budgeting, and Audit Improvement teams were consulted regarding the financial risks and proposed mitigations in light of Wellwood's financial standing.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

28 October 2011

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

- Modernising Service Delivery

**Previous References**

Finance and Information Technology Resources Committee 1 February 2011

**List of Background Papers**

- Small Switch Tender Project Mandate
- Tender Specification and evaluation matrix
- Clarification 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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