



Appendix A4

Maintaining existing Internet and Telephony Services

1. Introduction

As part of the IT Transformation Programme in 2020, there was a requirement to carry out an audit on our current network infrastructure and produce a high-level design to ensure we can continue to provide network services to the organisation, of which we engaged the expertise of an external supplier in March 2020 to carry out this work

The outcome of the audit indicated that our current network infrastructure and the underlining connectivity methods we're not sustainable and in need of a technology refresh. Subsequently an internal risk assessment was carried out on the network infrastructure leading to a risk score of 28, which indicates a critical risk to the organisation and one in which action is required.

Furthermore, underpinning the network infrastructure is the underlying connectivity, most of which is provided by Virgin Media Business, these services include Internet & Connectivity Services to allow us to connect our buildings to the BCC network and the Internet, and this also includes telephony services which allow us to provide traditional telephony (Phone Lines) to our buildings for inbound / outbound calling.

In the July 2021 cabinet we had approval for a tactical 12-month renewal to the Virgin Media contract which currently provides much of our network and telephony services. Unfortunately at the time Virgin Media had been going through a merger with O2, and as a result there was delay in negotiating this contract, subsequently when we had the necessary engagement with Virgin Media they we're not open to a short term contract as the technology we currently utilise through Virgin Media is no longer a service they provide to their customers, as a result they have proposed a 3-year term contract to support the existing infrastructure and transition over to newer connectivity methods when we are in a position to do so.

We continue to utilise these services as they provide the connectivity to our buildings and support the critical services the authority provides however we doing this out of contract, therefore this is currently not compliant so the approval of these decisions allow us to put in place compliant contracts to maintain our existing services while we progress the projects within this Digital Transformation Programme to put in place longer term more sustainable options.

The Network Replacement project is currently at an Outline Business Case stage, the project mandate was approved by the Digital Transformation Board on 22/12/2021 and subsequently by the Corporate Leadership Board on 11/01/2022, this project sits within the Digital Transformation Programme which is seeking approval from cabinet today.

In this paper we are asking for decisions to be made to allow us to put in place interim contracts to maintain existing services and when appropriate we are planning to come back to cabinet to outline the Network Replacement project in more detail and seek further decisions.

2. Internet and Connectivity Services

The existing contract with Virgin Media has expired and we are currently in a position where we need to maintain existing services whilst we progress the network replacement project. The shortest term we have been able to negotiate with Virgin Media is 3 years. The services we are seeking to renew in this Direct Award is the supply of the Internet and Connectivity services allowing us to maintain the connectivity to our buildings and continue to support critical services this authority provides.

As the existing contract has expired, we need to put in place a compliant contract to supply these services. The time and cost to procure and implement alternative solutions to what Virgin Media currently provide is not feasible at this time, furthermore the technology we would look to implement is not supported by the current network infrastructure.

Putting in place a 3-year term Direct Award contract with Virgin Media to maintain existing services gives us the time to progress the Network Replacement project, this project subject to Business Case sign off will aim to implement the new network technology and to utilise that technology to transition over to new connectivity methods, subsequently the project will aim to put in place compliant contracts to replace these interim contracts which we are seeking approval for as part of this cabinet decision.

The terms and financials of this 3-year term Direct Award are being negotiated, the financing of these services are covered under existing Revenue spend of which we currently spend around 1.4m annually with Virgin Media, 497k of which is related to the supply of these Internet and Connectivity services, we are not expecting any price increases, however we do expect over the term of this 3-year Direct Award for a reduction in prices as we transition over to new technology and the authority evaluates and aims to reduce the number of buildings within its portfolio.

3. Telephony Services

a. Overview

As part of the Digital Transformation Programme, the Telephony Replacement project, following a cabinet decision in April 2022, is progressing to procure and implement a full replacement and modernisation of our contact centre technology and contact handling processes; focussed on initially increasing core operational stability, moving to full omni-channel and channel blending capabilities to improve the citizen experience.

The project will also transition traditional telephony provision for staff to internet-based (IP) calling through Microsoft Teams and decommission existing technology and close related contracts.

Therefore, it is expected that our consumption of the traditional telephony services will heavily reduce leading up to 2025 due to the Telephony Replacement project migrating users to Microsoft Teams and the on-going decommission of the Public Switch Telephone Network (PSTN) which is the technology used to provide traditional phone lines into buildings for inbound / outbound calling. This is a nation-wide removal which we are unable to avoid.

Whilst the Telephony Replacement project is progressing, we have a need to maintain our existing telephony services which is currently supplied through Virgin Media, BT and Talk Talk, there are currently no active compliant contracts in place with these suppliers, so we are seeking approval to find the most cost-effective route to maintain the existing services which may include continuing spend with the incumbent suppliers as we reduce the size of our traditional telephony estate.

The existing spend with our current suppliers is covered within our existing revenue budget, and equates to around £388k a year, we will be looking to ensure we can maintain these services for up to 3 years and to a value of £620k for that period.

b. Telephony Project – increased cost

As our Digital Strategy states, citizens and users of our services rightly expect a user experience from their council that is comparable to that which they experience in other parts of their lives. They need ways of

getting things done 24/7 in ways that suit them. They need it to be as simple, intuitive, and quick as possible.

At the moment, our aging telephony platform lets this down. It causes many dropped calls, doesn't enable customer advisors to work efficiently in one system to resolve problems, and has technical problems that waste time. It also restricts our ability to use new digital channels for transactions.

Recognising these issues, a project was launched to replace the system. The outline for this was approved by Cabinet in October 2021 with an indicative cost estimate of £541k total one-off costs and £550k per annum. Since then, a procurement exercise has been run and further work has been done to firm up costs, with significant due diligence undertaken. This included audit activity and learning from past IT transformation projects, and led to changing our approach to procurement, increasing our allowances for optimism bias, more conservative estimations of internal staffing costs and other delivery resources, and refining our modelling of licence requirements. At the same time, as inflation rises and supply chain issues impact the global economy, we have seen increases in vendor costs.

The result is a likely increase in one-off, capitalised cost of just over £420k. It is also anticipated to cost nearly £90k more than originally anticipated per year to run, but this still represents a saving of £50k per year against what we currently spend. The project also enables the council to make other savings indirectly, as the platform is an enabler of several planned efficiency savings in Citizen Services and other teams. It is also an essential enabler of the council using more modern digital channels of communication to support citizens with enquiries.

In a best-case scenario, additional costs may be possible to reduce to just over £350k one-off, and £35k per year increase on OBC estimates; which would release annual savings of just over £100k compared to the as-is situation. In the worst-case the one-off additional cost is just over £617k, and additional annual costs are just over £217k, representing a net additional cost of just over £79k. However, it would still enable indirect savings to be made which would offset this annual pressure.

With a stronger business case now developed, there is a lower risk of unexpected costs or delays in delivering the project, providing a higher level of confidence and assurance than was possible at the initial point of decision on the emerging business case.