

REPORT TO: POLICY AND RESOURCES COMMITTEE – 8 DECEMBER 2008

REPORT ON: TELEPHONY AND DATA NETWORK UPGRADE

REPORT BY: HEAD OF INFORMATION TECHNOLOGY

REPORT NO: 627-2008

1 PURPOSE OF REPORT

- 1.1 To approve Capital expenditure of £723,000 for the replacement and upgrading of part of the Council's telephony and data network. This level of investment will reduce the cost of the telephony service by £978,145 over the next eight years.

2 RECOMMENDATION

- 2.1 It is recommended that:
- i. the Council's 1426 Featurnet telephone extensions are replaced over the next three years at a capital cost of £723,000
 - ii. these telephone extensions are replaced with IP (Internet Protocol) handsets
 - iii. the currently separate data and voice infrastructure is upgraded and combined into a single converged infrastructure
 - iv. the Head of IT develops a project plan and migration plan to manage the above migration.

3 FINANCIAL IMPLICATIONS

- 3.1 The proposals included in this report will require capital expenditure of £723,000 funded from prudential borrowing, to be included in the Capital Plan at its next review. Borrowing will be done in three stages:
- | | | |
|---------|---|----------|
| 2008/09 | - | £271,500 |
| 2009/10 | - | £323,500 |
| 2010/11 | - | £128,000 |
- 3.2 The revenue cost of the above borrowing and telephony service upgrade over the next eight years will be £1,531,615
- 3.3 The revenue costs of retaining the current system over the next eight years will be £2,509,760
- 3.4 The (eight year) savings which will be achieved by proceeding with this upgrade will be £978,145

4 BACKGROUND

- 4.1 The IT Division Service Plan, 2007-2011 identified the requirement to review revenue costs of the IT service. In particular, the plan identified the need to review telephony services and seek opportunities to reduce revenue costs.
- 4.2 The Council currently obtains its telephony services on a managed contract from British Telecom.
- 4.3 Larger sites, including the Tayside House and City Square complex utilise large-scale telephony switches.
- 4.4 Smaller sites utilise BT's Featurenet managed service. The cost per extension for featurenet sites is considerably higher, but this form of provision ensures that extension to extension dialling across the Council is free and that a customer can be transferred to any extension in the Council without the inconvenience of having to re-dial. At the time of purchase Featurenet was the only cost-effective means of providing the above functionality across the entire Council telephony estate.
- 4.5 Data networks and voice networks have traditionally been provided separately. However, emerging technologies which converge the data and voice networks offer consolidation opportunities for revenue savings by converging infrastructure costs.
- 4.6 Converged technologies are commonly known as IP (Internet Protocol) telephony. IP telephony has been deployed across a number of sites within the Council and provides reliable cost-effective services. Until now, IP telephony has only been deployed when new or refurbished buildings are commissioned. Examples include: Social Work Claverhouse, PPP Schools and Housing Area Offices.
- 4.7 The comparatively high cost of Featurenet extensions presents an investment opportunity to lower costs of the featurenet estate over a 3-year period.
- 4.8 The option appraisal below recommends that 1426 Featurenet extensions are replaced over a three year period. The recommended option is to construct a converged data and voice infrastructure and install IP telephone handsets.
- 4.9 The above recommended option will produce savings over the 8-year period without any reduction in functionality or customer contact convenience. It will also provide enhanced data network capability and resilience.

5 OPTION APPRAISAL

- 5.1 There are two fundamental options which can be considered.
 - 1. Do nothing – continue with the current featurenet contract
 - 2. Replace 1426 featurenet extension with IP infrastructure and handsets over a 3-year time-frame.
- 5.2 Other replacement options cannot be considered in this time-frame due to the contract condition of the current BT contract. See para. 5.5 below.

- 5.3 Doing nothing would continue to cost the Council £ 313,720 per year. Over the next eight years this would amount to £ 2,509,760.
- 5.4 The second option of replacing featurenet with IP telephony would require a capital investment in the converged data/voice infrastructure, handsets and licences.
- 5.5 BT featurenet contract conditions dictate that featurenet extension can be removed on a staged basis over a 3-year timeframe.
- 5.6 To fit in with the above time-frame it is proposed to draw down three separate amounts of capital in 2008/09, 2009/10 and 2010/11. Borrowing this capital over a five year timeframe would result in a total cost of £1,531,615 over the next eight years. This cost includes an additional part-time member of staff in Support Services Department which will be required to perform the additional administration workload. Whilst this staffing requirement will be a revenue cost, it is proposed that it is funded from net savings in featurenet revenue costs.
- 5.7 The capital expenditure is required to purchase data/voice communications hardware, wireless connectivity between sites, IP handsets, IP licences, cabling and other infrastructure costs. As indicated above, this work will be staged over the 3-year featurenet replacement timeframe.
- 5.8 The net savings of selecting option 2, and not retaining option 1 over an eight year period are estimated to be £978,145.
- 5.9 Appendix 1 Illustrates the detail of the cost savings proposed for option 2.

6 PROPOSAL

- 6.1 The proposal is to proceed with option 2 listed above.
- 6.2 A project plan will be drawn up to replace the 1426 Featurenet extensions on a phased basis over 3 years.
- 6.3 The project will take account of the latest planned office accommodation moves. Migration priorities will be determined in consultation with relevant Chief Officers.
- 6.4 The migration project will require some changes to existing telephone extension numbering. Where possible, changes to extension will be minimised when these extensions are publicly advertised numbers.

7.0 POLICY IMPLICATIONS

- 7.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Assessment. The major issues identified are:
 - i) For the operation and maintenance of a wide range of I.T. equipment and support systems, consideration will be given in support of all service

developments in line with the **Purchasing and Procurement** principles of the Sustainability Policy.

- ii) The impact of this policy will have the combined effect of reducing energy costs, life cycle costs and ensure sustainable recycling of equipment at end of useful life.

8.0 CONSULTATIONS

- 8.1 The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance) and Head of Finance have been consulted.

9.0 BACKGROUND PAPERS

- 9.1 None

Ged Bell Head of Information Technology

Date: 21 November 2008

BT Featurenet Replacement

APPENDIX 1

Number of Handsets to be replaced	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
	436	698	292	1426

Options

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	
1. DO NOTHING									
Current Featurenet costs	£313,720	£313,720	£313,720	£313,720	£313,720	£313,720	£313,720	£313,720	<u>£2,509,760</u>
2. REPLACE FEATURENET WITH IP TELEPHONY									
Investment (capital required, repaid over 5 years)	£271,500	£323,500	£128,000						
Borrowing Costs Year 1 (5.9%)		£64,278	£64,278	£64,278	£64,278	£64,278			
Borrowing Costs Year 2 (5.9%)			£76,589	£76,589	£76,589	£76,589	£76,589		
Borrowing Costs Year 3 (5.9%)				£30,304	£30,304	£30,304	£30,304	£30,304	
Part-time staff member (telephone Services)	£3,000	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	
Featurenet cost	£313,720	£217,800	£64,240	£0	£0	£0	£0	£0	
Total Cost	<u>£316,720</u>	<u>£293,078</u>	<u>£216,107</u>	<u>£182,171</u>	<u>£182,171</u>	<u>£182,171</u>	<u>£117,893</u>	<u>£41,304</u>	<u>£1,531,615</u>
Net annual cost/(saving) of option 2	£3,000	(£20,642)	(£97,613)	(£131,549)	(£131,549)	(£131,549)	(£195,827)	(£272,416)	<u>(£978,145)</u>

