

CONFIDENTIAL DECISION REPORT

Report Title: Provision of Telco Services
Item No: 8.1
Date of Meeting: 15 June 2021
Author: Sam Johnson, Chief Executive Officer
Attachments: 1. Voiteck Proposal
2. Correspondence to and from Telstra regarding complaint

Confidentiality Clauses:

That:

1. Pursuant to Section 90(2) and 90(3)(b) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because it relates to information the disclosure of which would involve the unreasonable disclosure of information which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting, or proposing to conduct, business.
2. In weighing up the factors related to disclosure:
 - disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations; and
 - non-disclosure of this item at this time will enable the Council to make an informed decision regarding its options for the provision of telco services.
3. Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public be excluded, with the exception of Sam Johnson, Chief Executive Officer, Craig Mudge, Manager Corporate Services, Jacqui Kelleher, Manager Administrative Services, Brenton Daw, Manager Infrastructure and Regulatory Services and Ebony Rodda, Manager Community and Economic Development.

(confidentiality orders for resolution after consideration of the matter)

That having considered Agenda Item 8.1 – Provision of Telco Services, in confidence under Section 90(2) and 90(3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Local Government Act 1999 orders that Attachment 2 to the report be released immediately and that the report and Attachment 1, discussion and minutes be retained in confidence until the next annual review of confidential orders or upon execution of a contract with Optus and Voiteck, whichever comes first.

1. EXECUTIVE SUMMARY

This report seeks a decision of Council in relation to the provision of a five (5) year service contract for Council's telco provider. Presently Council has a non-formal agreement with Telstra as the telco provider for all relevant telco services.

2. RECOMMENDATION

That Council:

1. receives and notes the report;
2. approves special dispensation as per Section 5 of Council's Procurement Policy for the purposes of telco provisions to Optus and Voiteck as per the proposal at Attachment 1 to report 8.1 - Provision of Telco Services;
3. approves changing from Telstra to Optus and Voiteck as Council's preferred Telco provider for a contract period of up to five (5) years.

3. RELEVANT CORE STRATEGIES/POLICIES

Community Plan 2021-2031

6.3 Enact Strong Governance

6.4 Provide Financial Sustainability

4. BACKGROUND

Council currently uses Telstra as its sole telco provider. As part of Council's service and efficiency review, the existing arrangements with Telstra have been reviewed, and offers sought from other providers.

Through reviewing the proposals, with a goal to achieve maximum efficiency, best return on investment, network coverage, and updated options for business activity, Optus have been the only Telco to provide a proposal for Council's consideration.

5. DISCUSSION

For many years, Telstra has been Council's sole provider for telco services. Presently the arrangements other than individual mobile phones, there are no lock in provider contracts for the services in which Council use through Telstra. Telstra currently invoices monthly for services provided.

Approximately six (6) months ago Council sought a review in current pricing with Telstra. Telstra advised that through the Local Government Association Procurement (LGAP) arrangements, Council would receive a 10% discount to its current service arrangements. This discount was subsequently applied.

Noting recent coverage issues, and Council being left with no coverage including landlines for eleven (11) days in December 2020, this sparked a concern in which Council needed to look at all options available for Council and Telco coverage.

In discussions with LGAP, Optus were recommended noting that Optus presently are the main provider to telco services to a majority of Council's across South Australia, including regional.

Upon request, Optus presented a proposal to Council which has been attached to this report for member's consideration. The proposal seeks to;

- Provide mobile services including handsets;
- Provide internet services of which Optus are considering a fibre to the premises option;

- Provide a new internal telephone system, which has an upfront capital as indicated within the attached proposal. This capital amount is factored in to the draft 2021-22 budget;
- Provide an updated customer service proposition including community support for community events.

Members should also be aware that Optus are in discussions with the Department of Environment & Water (DEW) in relation to the Remarkable Southern Flinders project and becoming a potential telco provider throughout the proposed bike trails. Optus presently is the only telco providing coverage in areas such as Mambray Creek.

Telstra were contacted to provide a formal proposal to service offerings, just as Optus were contacted. Whilst Telstra acknowledged the request and advised they would provide such, no offer or proposal was received by Telstra.

Members will also note the correspondence with Telstra (Attachment 2) relating to a formal complaint in which has been lodged with Telstra as a result of network failure causing Council to be offline for some eleven (11) days. To date, Council has had no response to the complaint outlining Council's request.

The proposal as presented will require Council approval on the basis of an exemption from Council's procurement policy noting the contract value over the life of the contract. Council has sought alternative pricing from another telco (Telstra), but as indicated earlier Telstra have failed to provide a proposal to Council for consideration. Sections 5 (a)(e) of Council's procurement policy allow for Council to approve such a proposal.

6. ANALYSIS OF OPTIONS

Option 1:

That Council:

1. receives and notes the report;
2. approves special dispensation as per Section 5 of Council's Procurement Policy for the purposes of telco provisions to Optus and Voiteck as per the proposal at Attachment 1 to agenda item 8.1 - Provision of Telco Services;
3. approves changing from Telstra to Optus and Voiteck as Council's preferred Telco provider for a contract period of up to five (5) years.

This option allows for Council to enter formal arrangements with a new telco, being Optus. It will provide significant cost savings to Council, as well as provider greater network coverage allowing greater connectivity amongst out employees.

The additional options through upgraded phone systems and potential for National Broadband Network (NBN) connection to the office will allow for increased efficiencies amongst the administration team.

Option 2:

That Council:

1. receives and notes the report; and
2. does not proceed at this time with the offer as presented by Optus and Voiteck.

This option allows for Council to continue its current telco arrangements with Telstra and/or to seek alternative arrangements at a later date.

7. RECOMMENDED OPTION

Option 1 is the recommended option.

8. POLICY IMPLICATIONS

8.1 Financial/Budget

As identified in the attached business proposal, had Council been on a like for like service arrangement with Optus than that of Telstra, over a three year period the savings are circa \$100,000 for the same period.

Based on the significant savings being able to be achieved through the change of telco provider, Council has also sought (as per attached proposal) an increase updated provision of telco services. This include addition of mobile services, addition of NBN provisions (fixed fibre) to Council's administration office and an overall upgraded telephony system.

There will be one off break costs required with Council changing its mobile plan to Optus, with some of the current handsets being on a purchase contract, noting that this is a cost Council would have ordinarily incurred through the life of the contract (24 months).

Additional costs (capital) have been included within the draft 2021/22 budget, as well as appropriate increased Telco provisions. The appropriate savings will be realised should Council accept the offer as presented by Optus & Voiteck.

8.2 Legislative/Risk Management

Council's current procurement tendering and purchasing policy:

In compliance with Section 49 of the Local Government Act 1999 (**Act**), Council should refer to this policy (**Policy**) when acquiring goods and services.

3.2 *Obtaining Value for Money*

3.2.1 *This is not restricted to price alone.*

3.2.2 *An assessment of value for money must include, where possible, consideration of:*

3.2.2.1 *the contribution to Council's long term plan and strategic direction;*

3.2.2.2 *any relevant direct and indirect benefits to Council, both tangible and intangible;*

3.2.2.3 *efficiency and effectiveness of the proposed procurement activity;*

3.2.2.4 *the performance history, and quality, scope of services and support of each prospective supplier;*

3.2.2.5 *fitness for purpose of the proposed goods or service;*

3.2.2.6 *whole of life costs;*

3.2.2.7 *Council's internal administration costs;*

3.2.2.8 *technical compliance issues;*

3.2.2.9 *risk exposure; and*

3.2.2.10 *the value of any associated environmental benefits.*

Council's current procurement policy allows for dispensation under section 5, allowing Council to resolve alternative methods as outlined in the recommendations of this report. Section 5 of Councils procurement policy is described in part as follows:

5 *Dispensations from Policy*

Dispensations by the Chief Executive Officer from the procurement processes and requirements outlined in this Policy may be approved as follows:

Dispensations from this, or other procurement Policies listed in the Related Policies section above, may be either general dispensations from specific provisions of procurement Policies, or a single source supply dispensation, including emergency supplies in extenuating circumstances.

Single source supply dispensations may be considered where at least one of the following reasons applies:

- a) There are only a limited number of suppliers with the capability, experience, and suitability to meet needs and no alternative exists;
- b) No submissions are received in a procurement process or the submissions received did not meet the specification requirements;
- c) The need for compatibility with existing systems or services;
- d) Obligations under warranty or other contractual arrangements requiring the supply of goods, works or services from a particular supplier;
- e) An absence of competition due to technical reasons, including but not limited to exclusive licence, proprietary information, or protection of intellectual property;
- f) Value in the procurement process will not be achieved by the prescribed market approach, and there is demonstrated advantage in amending the approach; and
- g) A response to a Council resolution with limited timeframes.

If a procurement is deemed and approved as an emergency supply, in these cases:

- a) Expenditure must be within the employee's delegated financial authority.
- b) Expenditure must be limited to that required to alleviate the emergency situation only.
- c) The employee must ensure that appropriate methods of purchase are resumed as soon as practicable.

All dispensation requests, regardless of their cause, must be made in writing and must outline the reasons for the request and any risks which may be involved in the approach.

Section 8 of Councils current procurement policy also outlines where appropriate Council may choose to apply appropriate exemptions from the policy as follows;

Exemptions from this Policy

This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be emergencies, or procurements in which a tender process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

In certain circumstances, the Council may, after approval from its Council Members, waive application of this Policy and pursue a method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this Policy.

With regards to the acquisition of the proposed community bus, being the Toyota Coaster bus from Burnside City Council, the existing procurement policy provides appropriate financial thresholds in which Council should follow. Section 6.1 as follows in part below provides members with the threshold details;

6.1 Value of the Purchase

| Value of Purchase (\$) | Possible Method of Procurement |
|-------------------------------|---|
| Less than \$2,000 | <i>Direct Purchasing</i> |
| \$2,001- \$10,000 | <i>Preferred Suppliers/Contractors or Request for Quotations (informal)</i> |
| \$10,001 - \$50,000 | <i>Request for Quotation (RFQ)</i> |
| More than \$50,001 | <i>Request for Tender (RFT)</i> |

8.3 Staffing/Work Plans

Nil.

8.4 Environmental/Social/Economic

Nil.

8.5 Stakeholder Engagement

Nil.

9. REPORT CONSULTATION

Discussions were held with Leadership Team and LGA Procurement.

10. REPORT AUTHORISERS

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| Sam Johnson | Chief Executive Officer |
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