

Title of report : Variable Data Print re procurement BUSINESS CASE - MEDIUM RISK Key Decision No: FCR R 99	
CABINET PROCUREMENT AND INSOURCING COMMITTEE MEETING DATE (2021/22) 7th June 2021	CLASSIFICATION: Open If exempt, the reason will be listed in the main body of this report.
WARD(S) AFFECTED All Wards	
CABINET MEMBER Mayor Glanville	
KEY DECISION No REASON Spending/or saving	
GROUP DIRECTOR Ian Williams	

GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES

1. CABINET MEMBERS INTRODUCTION

This report seeks approval to procure the required services by undertaking a further competition via a Crown Commercial Service framework (RM6017). The report also provides an appraisal of the current external Variable Data printing services being used by services in Hackney Council. The services being provided are currently out of contract and are being provided by the incumbent supplier on the terms of the previous contract.

Since March 2020 work has been ongoing to review the existing contract and our requirements, however due to Covid and the impact of the Cyberattack retendering would have added additional disruption at a time when the council was already under pressure. We are now in a position to go ahead with this work.

As per council standing order 4.8, the value of the total life of this contract to date is currently at £3.2M approx, which is over the £2m threshold stipulated in the CSO's and has to therefore come to the CPIC for review and approval.

2. GROUP DIRECTOR'S INTRODUCTION

This report sets out the proposal to start the re-tender process for the reprocurement of the current variable data print services contract.

The services to be covered in this procurement are currently delivered by the incumbent supplier FDML PLC. Typically these are either specialist areas of print that cannot be produced on Hackney's own in-house equipment (for example Council tax billing, Council benefits notification letters, Parking enforcement notices, Electoral ballot papers) or printing that is fulfilled externally as a top up to the in-house service during periods of heavy workloads or for very high volumes, where our in-house service cannot scale to meet the demand.

The Council's current contract has expired and is operating under the terms of the previous contract. It is prudent that we procure a new framework contract in order to continue to obtain best value for the Council as well as maintain service delivery for those business areas of the Council who rely upon its use.

3. RECOMMENDATION(S)

- 3.1 It is recommended that a further competition be undertaken via the Crown Commercial Services framework RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications). This would result in a 4 year contract being awarded to the successful bidder.**

4. RELATED DECISIONS

- 4.1 A Contract Award for the last External Variable Data Printing Services contract was previously approved by HPB on 8th March 2016. (*Report available upon request*)**

5. OPTIONS APPRAISAL AND BUSINESS CASE (REASONS FOR DECISION)

The Council continues to have a requirement for these additional specialist print services and with the current contract having expired in March 2020, there is a need to reprocure via an appropriate framework. This contract will be a call off contract that enables a wide range of council services to use the contract when needed and when appropriate. The procurement and subsequent contract award does not commit the council to any spend for printing, notwithstanding any potential set up costs that could be charged by a new supplier as part of their commercial bid.

These specialist print services form part of our overall communications with residents. In recent years alternative avenues of communicating with residents have been explored and introduced, for example we are also making use of Gov.Notify built into new digital services to send bulk emails/SMS messages and letters to residents). The proposed future approach is to continue to use an effective mix of our in-house print, the Gov.Notify service and the external variable data print contract which is detailed in this paper to meet the Council's varied written communication needs with the residents and local businesses.

5.1 BENEFITS REALISATION / LESSONS LEARNED

As described above this contract is for services such as specialist areas of print that cannot be produced on Hackney's own in-house equipment or that are fulfilled externally as a top up to the in-house service during periods of heavy workloads or very high volumes.

The main areas of work included in the scope for the new contract are:

- a) **Revenues and Benefits Service:** The Revenues and Benefits Services have specific specialist printing needs which are key to the collection processes for Council Tax [CT] and Non-Domestic Rates [NDR]. Within the Benefits Service there is a need to produce high volumes of letters which are sent to claimants notifying them of their entitlement to benefit.
- b) **Parking Services:** Parking Services have specialist printing needs for enforcement notices in respect of parking fines issued under the Road Traffic Act 1991 and the London Local Authorities Act 2004.
- c) **Neighbourhoods and Housing:** Some resident communication needs are met through the existing contract, however we have been working with housing colleagues through our Modern Tools for Housing Programme and regular stakeholder reviews with the print room service to ensure that wherever possible we can make use of the inhouse print room and Gov.Notify. At times of high demand it is useful to have additional provisions available through this contract on a call off basis.
- d) **Elections:** Electoral services have an existing contract with FDML, which will end in Dec 2022, at which point they will then be incorporated into this contract.
 - The Electoral services will need a print provision for and not necessarily limited to Poll cards, Ballot papers, Postal ballot packs, Postal ballot papers. An additional optional requirement of inserting the postal ballots and posting them from their premises to voters may be required by the Returning officer for any particular election.

The contract continues to meet business needs and has been delivered in accordance with the contract terms and conditions. Any service delivery lessons learnt from this contract will be carried forward into the new contract, with any KPI's adjusted accordingly.

With the move to electronic forms of communication with customers we will continue to explore other service delivery approaches that may better meet user needs. This is likely to include greater use of electronic communication, rather than paper communication wherever possible. As such we estimate that use of this contract will decline over the period of the contract.

Strategic Context:

The printing and mailing of the documents within the main service areas of Revenues, Benefits, Housing and Electoral services is key in the efficient and effective administration of these services. The contract includes the management of data output from each main application system, file transfer and formatting as necessary then printing and posting to customers. The cyber attack has resulted in changes to how this information is accessed from legacy systems and this contract will retain flexibility to ensure that any subsequent line of business applications can be utilised under this call off contract.

These services are governed by high profile performance indicators.

The collection of CT and NDR are key corporate indicators. Best Value Performance Indicators [BVPI] 9 and 10 specifically cover collection performance of these taxes which are reported quarterly to Communities and Local Government (CLG). Given the high profile and close scrutiny of these BVPIs, the Council must ensure collection performance continues to improve. The prompt and accurate issuing of all recovery documentation is therefore essential to this performance.

Preferred Option:

The preferred option is to proceed via a further competition to be undertaken via the Crown Commercial services frameworks RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications) which expires 30/11/23.

The preferred option ensures the Council can gain best value through the competitive pricing offered via CCS as well as being in line with Council requirements, in a call off contract that enables services to use this service when needed, whilst allowing us to transform the services to residents in line with changing user needs and behaviours.

ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

Do nothing: This option is not available to the Council as there is an ongoing requirement for the service which we cannot meet in house and the existing contract has expired. Doing nothing places an ongoing risk to the council and the areas who require this work as there is no formal contract in place.

Insourcing: Providing the service in-house is not cost effective due to the costs of investment needed into the Print Unit for the required specialist equipment and personnel, to be able to provide the range of services needed. It is also anticipated that the need for these services will reduce over the life of the contract (as described above in a strategic context) and therefore investment in specialist equipment would bring diminishing returns.

Success Criteria/Key Drivers/Indicators:

Equality Impact Assessment and Equality Issues:

There are no equality issues for this procurement. The contract will be widely advertised through Crown Commercial Services Framework and all Suppliers with the relevant experience, capacity and capability for this contract will have the opportunity to apply for the contract. Those that submit an application will also be required to provide their equal opportunity policy and to demonstrate that the service provision is carried out with no discrimination to any category of people.

Environmental:

At the tender stage, all the bidders will be required to submit their environmental policies, including Disposal of Waste policy. They will be made aware of the Council's expectations about the use of recycled paper in the production of their documents and in the ordering of envelopes/reusable envelopes for returned documents.

The successful supplier will be invited to keep the Print Manager up to date with any new developments in this area and make suggestions on how environmental impacts can be reduced throughout the life of the contract.

Economic Issues:

Any issues arising from the PRIMAS will be included.

Whole Life Costing/Budgets:

A review of the spend report for the duration of the contract for the period April 2016 to March 2020 reflects a total variable data print spend of £2.8M approximately.

This is broken down into Printing and production cost (£963k approx) and postage cost (£1.8M approx) for the duration of the contract.

Print and production costs incorporate the supplier handling the data from LBH, to printing on agreed templates, to inserting into envelopes and finally

preparing for postage. Manipulating the data and preparing it for accurate print is a key part of the service provided.

	2016/2017	2017/2018	2018/2019	2019/2020
Print and Production cost	£246,924.97	£208,493.31	£315,553.24	£196,348.03
Postage cost	£357,134.50	£417,075.51	£553,612.83	£526,870.66
Total	£604,059.47	£625,568.82	£869,166.07	£723,218.69
Grand Total	£2,822,013.05			

As described above we are seeing overall print volumes gradually reducing and in addition Hackney is making more use of digital communication channels as user needs and behaviours change. However we are also seeing an increase in both print and postage costs. Taken together this makes accurate forecasting for future expenditure difficult, however based on the previous spend profile during the last contract period, we estimate the new contract value will be up to £3.5M. This is a call off contract which will not contain any guarantees of printing spend to the successful vendor.

There are no additional equipment costs identified with this procurement.

This contract will pay the London Living Wage.

Policy Context:

This procurement supports the efficient administration of a range of council services as described above. Accurate and timely resident and business communication enables the smooth running of these services.

Consultation/Stakeholders:

Since March 2020 we have been engaging with stakeholders from all service areas to establish current and future requirements, and gain insight on business change and transformation plans that will or potentially will have an impact on this contract. A multidisciplinary team will be established to effectively manage the procurement process and will include Print, Design, Finance and Procurement personnel.

Risk Assessment/Management:

The risk rating for the project, as assessed using the Risk Assessment Tool, is Medium Risk. Some of the key risks and the actions to mitigate these are detailed in the table below

Risk	Likelihood	Impact	Overall	Action to avoid or mitigate risk
	L – Low; M – Medium; H - High			
Lack of resources to carry out the project	M	H	M	Agree time and commitment from key personnel
Procurement fails to identify suppliers with the capability to supply the services required	L	H	L	Several current and potential suppliers have already expressed interest through market testing and there are many capable suppliers in the marketplace.
Print Service disrupted by change in suppliers	L	H	M	The preferred option provides the opportunity for existing suppliers to be appointed to the framework
Impact on current service due to any transitional arrangements	L/M	H	M	Establish and agree transitional action plans with new/old suppliers. Ensure close monitoring and compliance of all transitional arrangements.
Failure to promptly issue CT and NDR billing/ recovery documentation – impact on cash collection.	L	H	M	Daily liaison with contractor to ensure documents issued within timescales. Rigorous contract monitoring process.

Failure to issue rent/ garage/service charge statements, instalments slips on time. Potential failure to implement charge increases and subsequent impact on cash collection.	L	H	M	Daily liaison with contractor to ensure documents issued within timescales. Rigorous contract monitoring process.
Corruption/loss of data from main application systems	L	H	M	Regular liaison with contractor and ICT as necessary

Market Testing (Lessons Learnt/Benchmarking):

As part of the scoping and options appraisal for this project, it was noted that the work carried out previously for the initial contract was still valid, and this has been borne out by the success of the previous procurement and the contract itself.

Savings are always relative to prices obtained before the agreements are put in place. Nevertheless, the useful lessons learnt from the previous project/contract will be fed into the Council's own tender documentation.

Savings:

Any savings will be difficult to measure due to fluctuating requirements. There is not a set budget for this print contract for individual print jobs, as the departments have general printing budgets only. All print spend is driven by demand. Savings will therefore not necessarily be evidenced by a decrease in the annual print spend, but will be tested and monitored by tracking the prices for regular orders where like-for-like comparisons can be made.

There is a wide market of organisations able to supply variable data printing services. However, it is essential that providers are familiar with and are able to interface with any application system and data formats used by the Service Areas.

Given the nature of this procurement, the ability to make savings could only be achieved by a reduction in the printing requirement. Postage and paper costs are not fully within the control of the supplier and given historic cost increases, this is likely to limit the ability to realise cost savings during this contract.

6. SUSTAINABILITY ISSUES

Procuring Green

There are a large range of environmental factors that can be taken into account when purchasing print services, such as the carbon footprint of paper mileage, the origin of the paper pulp, use of reusable envelopes and the chemicals used for whitening paper.

At the tender stage, all the bidders will be required to submit their environmental policies, including Disposal of Waste policy. They will be made fully aware of the Council's expectations about the use of recycled paper in the production of their documents and in the ordering of envelopes/reusable envelopes for returned documents.

When providing indicative prices, suppliers will be required to provide prices against two paper types. The first is for paper made from virgin pulp from sustainably managed forests, which is the paper most commonly used with the current external print services arrangements. The second is for paper that meets Defra's specification for 'Paper for Printed Publications', which is at least 75% recycled paper, with the remainder made up from a verified sustainable source. It is expected the second paper type will have a greater cost attached. This will give CPIC visibility of the financial impact of differing paper types.

The successful supplier will be invited to keep the Print Manager up to date with any new developments in this area and make suggestions on how environmental impacts can be reduced throughout the life of the contract.

Procuring for a Better Society

There were no economic issues in the Procurement Impact Assessment.

Procuring Fair Delivery

There are no fair delivery concerns in procuring these services

Equality Impact Assessment and Equality Issues

There are no equalities issues affected by this procurement. However the capacity to issue documents in a range of other languages will be explored as part of any value added services provided by potential suppliers.

Suppliers will be required to provide their equal opportunity policy and be able to demonstrate that the service provision is carried out with no discrimination to any category of people.

7. PROPOSED PROCUREMENT ARRANGEMENTS

Procurement Route and EU Implications:

A fully compliant tender process will be undertaken which will follow the Council CSO's and the Procurement Contract Regulations 2015, a further competition will be undertaken via the Crown Commercial Services framework RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications).

Resources, Project Management and Key Milestones:

The procurement process will be managed by ICT Contracts Team with inputs from officers within ICT, Finance and Hackney Homes. Procurement support will be provided by the central services procurement team/Category Lead.

Key Milestones	
Business Case Report to CPIC	7th June 2021
Further competition via CCS framework	August 2021
Tender Evaluation	August/September 2021
Contract Award Report considered at CPIC	November 2021
Standstill period	November 2021
Mobilisation period	3 months
Start on site / Contract start	1st June 2022

Contract Documents: Anticipated contract type

Contract documents have been refined over time and in particular for this procurement. Officers are reviewing the current Specification, ITT and the Terms and Conditions will be those of the CCS framework.

Sub-division of contracts into Lots

N/A

Contract Management:

Existing resources are available to manage the prospective new contract. The ICT Contract Team will be responsible for the management of the ensuing contracts. Suppliers will be asked to provide the names of a dedicated account manager, and to provide an escalation route for resolving any contract issues.

Key Performance Indicators:

Service Standard	Target	Expected Level of Service
Production turnaround times for despatch.	48 hrs	100%
Number of spoils/duplicates	None	100%
Posting Errors/mismatch of documents	None	100%
Proofing of new document templates	24 hours within receipt of draft requirements	100%
Proofing of amended document templates	24 hours within receipt of draft requirements	100%
Final proof of new template documents	24 hours within receipt of final document amendments	100%
Final proof of amended document templates	24 hours within receipt of draft requirements	100%
Production of agreed monthly Management Information	Maximum of 7 working days following month end	100%

Any failure by the contractor to meet KPI targets should face conditions as set out in the contract that suitably mitigates any loss of revenue due to their poor performance.

8. COMMENTS OF THE GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES

- 8.1 This report recommends the procurement route for additional specialist print services that the Council needs, including NNDR and Council Tax billing. As summarised in the legal comments at paragraph 10, the proposed route would mean we use Crown Commercial Services framework RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications) to undertake a mini-competition to award to a single supplier.

As mentioned at paragraph 5, the suggested indicative cost of four years of use of the framework could be £3.5m (which includes print relating to elections), though the eventual cost is wholly dependent on the jobs specified and the costs they drive. The rising cost of print and postage is noted. All jobs specified will need to take into account available budget. In the case of print jobs such as those relating to the elections, there may be an available grant to contribute towards the cost.

9. VAT Implications on Land & Property Transactions

N/A

10. COMMENTS OF THE DIRECTOR OF LEGAL & GOVERNANCE SERVICES

- 10.1 Paragraph 2.7.7 of Contract Standing Orders states that all procurements with a risk assessment of “Medium Risk” will be overseen by the Hackney Procurement Board at the Business Case stage. However, CSO 2.7.11 gives discretion to the Chair of Hackney Procurement Board to refer any Business Case to Cabinet Procurement & Insourcing Committee for a decision. The Chair of Hackney Procurement Board has confirmed that he is exercising such discretion in respect of this Report and therefore it is being presented to the Cabinet Procurement & Insourcing Committee for approval.

The value of the services in this Report is above the current threshold of £189,330 under Regulation 5 of the Public Contracts Regulations 2015. However it will not be necessary to publish an OJEU notice in respect of the procurement of these services as it is proposed to use the applicable

Crown Commercial Services framework RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications) to undertake a mini-competition to award the services contract to a single supplier. Use of the framework would be subject to the provisions of Regulation 37 of the Public Contracts Regulations 2015 which allow a contracting authority to acquire supplies or services from a centralised purchasing body.

11. COMMENTS OF THE PROCUREMENT CATEGORY LEAD

This business case sets out the approach to undertake a procurement exercise to deliver variable data print services for the council. The approach is fully compliant with the Council CSO's and Public Contract Regulations. It is proposed to use the applicable Crown Commercial Services framework RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications) to undertake a mini-competition to award the services contract to a single supplier. The contract will be a call off contract which will not guarantee any volume or value of work to the winning bidder.

APPENDICES: n/a

EXEMPT :N/A

BACKGROUND PAPERS:

None

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