

<b>TITLE OF REPORT:</b> Variable Data Print re procurement	
<b>CONTRACT APPROVAL</b>	
<b>Key Decision No:</b> FCR S050	
<b>CABINET PROCUREMENT &amp; INSOURCING COMMITTEE</b> <b>MEETING DATE (2021/22)</b>  17 January 2022	<b>CLASSIFICATION:</b>  Open with exempt Appendix A By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972  Appendix A, is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.  <b>If exempt, the reason will be listed in the main body of this report.</b>
<b>WARD(S) AFFECTED</b>  All Wards	
<b>CABINET MEMBER</b>  Mayor Glanville	
<b>KEY DECISION</b>  Yes  <b>REASON</b>  Spending	

**GROUP DIRECTOR**

Ian Williams

**GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES****1. CABINET MEMBER'S INTRODUCTION**

- 1.1. This report seeks approval for the award of a 4-year contract following a competitive tendering exercise via a Crown Commercial Service (CCS) framework (RM6017) which was undertaken by the ICT Contracts Team and Corporate Procurement.
- 1.2. As per Council standing order 2.7.7, 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 Council Standing Orders (CSO's) and has therefore come to the Cabinet Procurement & Insourcing Committee (CPIC) for review and approval for the contract award.
- 1.3. This report recommends the award of a new contract under the above framework in order to ensure the Council gains best value through the competitive pricing offered via this CCS further competition. The proposed contract meets the Council requirements in a call-off contract that enables services to use this service when digital services are not a viable option.
- 1.4. I welcome the continued support for a strong inhouse print function, supported by flexible access to specialist and larger volume print through this contract where required. I also welcome the commitment to procuring in line with the Council's sustainable procurement strategy, including employment within London in line with the London Living Wage.

**2. GROUP DIRECTOR'S INTRODUCTION**

- 2.1. The services covered in this procurement are currently being 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.

- 2.2. The Council's current contract has expired and is operating under the terms of the previous contract. It is therefore necessary that we procure a new 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**

- 3.1. **Cabinet Procurement and Insourcing Committee (CIPC) is recommended to approve the award of a 4-year contract, via the Crown Commercial Services framework RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications) to 'Supplier A' for the estimated contract value of up to £3.5M**

### **4. RELATED DECISIONS**

- 4.1. On the 7th of June 2021 the the CPIC board approved the Business Case for the procurement of the above framework agreement in accordance with the Hackney Procurement Gateway for Medium Risk procurements.
- 4.2. This report seeks authorisation to implement the recommendations resulting from the execution of the Business Case as approved by the Cabinet Procurement and Insourcing Committee

### **5. REASONS FOR DECISION/OPTIONS APPRAISAL.**

- 5.1. 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 reprocore 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 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.
- 5.1.1. 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.

- 5.1.2. This report therefore seeks authorisation to award this contract, which does not guarantee specific volumes of work to the supplier, in order to enable the Council's services to competitively meet increases in demand for variable print services and support the communications strategies of the Council and its departments in a way that is also aligned to the Council's sustainability values and meet the high standards of performance required by the Council.
- 5.1.3. In arriving at this recommendation the following options were considered: (a) do nothing, (b) in-source service provision, (c) call-off services from existing framework agreements.
- 5.1.4. 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.
- 5.1.5. 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.
- 5.1.6. 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)
- 5.1.7. 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.

## **5.2. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

- 5.2.1. For the reasons set out in 5.1.3 - 5.1.5, the following options were considered and rejected:
  - 5.2.1.1. (a) Do nothing
  - 5.2.1.2. (b) In-source service provision.

## 6. PROJECT PROGRESS

### 6.1. Developments since the Business Case approval

An invitation to participate in the Further competition stage under The framework RM6017, was published on 28/09/2021, via the Council's Procurement Portal, ProContract (ref. **DN569587**). The published award criteria was 40% for price-related elements and 60% for non-price-related criteria (Quality).

### 6.2 Whole Life Costing/Budgets.

6.2.1 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			

6.2.2 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. These costs will be met from within the existing revenue budgets of the commissioning services. This is a call off contract which will not contain any guarantees of printing spend to the successful vendor.

6.2.3 There are no additional equipment costs identified with this procurement.

### **6.3 SAVINGS**

- 6.3.1 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.
- 6.3.2 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.
- 6.3.3 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.

## **7. SUSTAINABILITY ISSUES**

### **7.1. Procuring Green**

- 7.1.1. As part of the evaluation process, bidders were informed in the ITT that the Council preferred and encouraged Suppliers to use the best environmental options in the performance of this contract. The awarded supplier, as part of their commitment to sustainability and minimising environmental impact, is accredited with an ISO14001 Environmental accreditation standard and also complies with the Packaging Waste Directive 94/62/EC.

### **7.2. Procuring for a Better Society**

- 7.2.1. There were no economic issues identified in the Procurement Impact Assessment.

### **7.3. Procuring Fair Delivery**

- 7.3.1. There are no fair delivery concerns in procuring these services identified in the Procurement Impact Assessment.

### **7.4. Equality Impact Assessment and Equality Issues**

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

the awarded supplier.

- 7.4.2. The selected supplier has confirmed in their tender response that all aspects of the contract will be carried out within London and all FDM staff are paid the London Living Wage.

## **8. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

- 8.1. The reasons for rejecting alternative courses of action are listed in paragraph 5.1.3 - 5.1.5 of this report.
- 8.2. 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 as mentioned in 5.1.5
- 8.3. The collection of Council Tax and Non Domestic Rates are key corporate indicators. The Council must ensure collection performance continues to improve. The prompt and accurate issuing of all recovery documentation is therefore essential to this performance. The 4-year contract term and nature of framework agreements provides the Council with the flexibility and contractual protection required in such circumstances.

## **9. TENDER EVALUATION**

### **9.1. Evaluation:**

- 9.1.1. The deadline for clarification questions for potential bidders ended on 13/10/2021. Potential bidders were given the opportunity to submit their tender responses by 27/10/2021. Out of the 22 suppliers that were invited to bid, only 2 had successfully returned their submissions.
  - 9.1.1.1. 5 suppliers showed an interest in the tender by way of submitting clarification questions. Based on those questions it is assumed that the suppliers who did not bid, made that decision based on their business model (to use sub contractors) being contrary to the Council's stated requirement for direct provision for Electoral Services.
- 9.1.2. The applications were evaluated in accordance with the evaluation criteria below and methodology at 'Appendix A' of this report, by the panel consisting of the following four (4) evaluation officers: Quality Assurance Officer; Head of Revenues, Electoral Services Manager, and Electoral Registration Manager. The Procurement Category lead, ICT Senior Contract Officer and ICT Officer were present to support the process.

Criteria		Weighting
1. Price		40%
2. Quality		60%
	A. Ability to deliver specification	40%
	B. Account management and after-sales service	10%
	C. Contract Implementation	4%
	D. Management Information (MI) and IT Security	3%
	E. Sustainability	3%
Total		100%

9.1.3. On the 05/11/2021 at the tender moderation meeting, the above evaluation panel had gathered, and out of the 2 suppliers who submitted their tenders 1 supplier who scored the highest was successful for the contract to be awarded to, please see 9.2.2. This is detailed in a tab labelled 'All scores (Quality)' in Appendix A of this report. All bids were evaluated in accordance with the published evaluation criteria and methodology with a 60:40 quality to cost ratio, as detailed and approved in the Business Case, (Please refer to 9.1.2 for breakdown of the Quality criteria)

## 9.2. Recommendation

9.2.1. Following the completion of the evaluation of the bids it is recommended that the Bidder/Supplier 'A' be awarded the contract as they were the highest scoring bidder, offering best value for money and quality when assessed as set out in the invitation to tender. Please refer to scoring in 9.2.2 for supplier scores.

9.2.2.

	Price Weighting at 40%	Quality Weighting at 60 %	Total	Rank
Supplier / Bidder A	40.00%	54.75%	94.75%	1st
Supplier / Bidder B	34.30%	40.50%	74.80%	2nd



## **10. CONTRACT MANAGEMENT ARRANGEMENTS**

### **10.1. Resources and Project Management (Roles and Responsibilities):**

10.1.1. The Contract will be supported by the ICT Contracts Team, but will be managed by LBH Services (Revenues and Benefits, Parking, Electoral Services, Housing).

10.1.2. Suppliers' KPI performance data will be reviewed quarterly with the supplier in addition to reports, and where relevant, meetings held to address any issues, discuss continuous improvements and monitor call-off prices according to the contract and table at 10.1.3

### **10.1.3. Key Performance Indicators:**

<b>Main KPI Targets Set</b>	<b>Monitoring</b>	<b>Expected Level of Service</b>
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%

## **11. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

11.1 This report recommends the procurement route for additional specialist print services that the Council needs, including NNDR and Council Tax billing. As summarised in procurement comments in paragraph 14, 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.

- 11.2 As mentioned at paragraph 6, 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 budgets. In the case of print jobs such as those relating to the elections, there may be an available grant to contribute towards the cost.

## **12. VAT IMPLICATIONS ON LAND & PROPERTY TRANSACTIONS**

Not Applicable.

## **13. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES**

- 13.1 Paragraph 2.7.7 of Contract Standing Orders states that, in respect of procurements with a risk assessment of "Medium Risk", Cabinet Procurement and Insourcing Committee will determine the award of contracts above the value of £2m. The estimated maximum value of the contract in this Report is approximately £3.5m so therefore the Cabinet Procurement and Insourcing Committee can agree to the recommendation in this Report.
- 13.2 Details of the procurement process undertaken by officers, using Crown Commercial Services framework RM6017 for Postal Goods, Services and Solutions (Lot 7: Hybrid Mail, Digital And Transformational Communications, are set out in this Report. Legal Services will, subject to approval, assist with the drafting and execution of the applicable framework agreements as requested.

## **14. COMMENTS OF THE PROCUREMENT CATEGORY LEAD**

- 14.1 The contract is valued above the relevant UK Public Procurement threshold (Services) and a compliant mini-competition process has been conducted via a CCS framework in accordance with the Public Contracts Regulations 2015.
- 14.2 Hackney Contract Standing Order 2.7.7 requires approval from the Cabinet Procurement and Insourcing Committee to award medium risk contracts valued above £2M.
- 14.3 Although the tender response rate was low, there are no concerns with the recommendation to award the contract to Supplier 'A' as described. The successful tender offers the best quality and value for money when assessed against the published criteria.

- 14.4 Suitable KPIs and contract management arrangements are in place, including meeting environmental commitments in line with the Council's Sustainable Procurement Strategy.

## APPENDICES

### Appendix A - Variable Data Printing Evaluation Scoring 2021 - Exempt

#### EXEMPT

By Virtue of Paragraph(s) **3** Part 1 of schedule 12A of the Local Government Act 1972 **Appendix 'A' is exempt** because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

#### BACKGROUND PAPERS

**In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required**

None

<b>Report Author</b>	Karim Ali ICT Contract Officer <a href="mailto:karim.ali@hackney.gov.uk">karim.ali@hackney.gov.uk</a>
<b>Comments for and on behalf of the Group Director of Finance and Corporate Resources</b>	Rachel Dunbar Group Accountant, F&R <a href="mailto:rachel.dunbar@hackney.gov.uk">rachel.dunbar@hackney.gov.uk</a>
<b>Comments for and on behalf of the Director, Legal &amp; Governance Services</b>	Patrick Rodger, Senior Lawyer Tel: (020) 8356 6187 <a href="mailto:Patrick.Rodger@hackney.gov.uk">Patrick.Rodger@hackney.gov.uk</a>
<b>Comments of Procurement Category Lead</b>	Dawn Cafferty Procurement Category Lead <a href="mailto:dawn.cafferty@hackney.gov.uk">dawn.cafferty@hackney.gov.uk</a>