

Procurement Board (CCB)

Contract Award Report

Date of meeting	27 th January 2022
By	Catherine Black Head of Payments, Revenues, Benefits and Debt
Title	High Volume Print & Mailing Services Contract Award
Project Sponsor	Richard Ennis interim Corporate Director of Resources & S151 Officer
Corporate Director	Richard Ennis interim Corporate Director of Resources & S151 Officer
Lead Member	CLlr Callton Young, Resources & Financial Governance
Key Decision	1021RFG

1. Recommendations

FOR CCB

The CCB is asked to recommend to the Chair of CCB

1. to approve a waiver under regulation 19 in respect of TCR regulation 23 for the reasons set out in para 5.3 f this report;
2. to recommend to the Cabinet Member for Resources and Financial Governance in consultation with the Leader to approve the recommendations below:

FOR Cabinet Member

The Leader of the Council has delegated to the nominated Cabinet Member the power to make the decisions set out in the recommendations below

RECOMMENDATIONS

The Cabinet Member for Resources and Financial Governance in consultation with the Leader is recommended by the Contracts and Commissioning Board to approve:

1. The award of a contract for “High Volume Print & Mailing Services” to Financial Data Management PLC (FDM) for a period of two years (with the option to extend up to a further 2 years 2+1+1) at an average annual value of £890,000 pa for a maximum contract value of £3,560,000 and total maximum contract length of 4 years.

2. Background & strategic context

2.1 Background

CCB approved a strategy *CCB1665/20-21* to directly award a contract for a term of 2 years with the option to extend for up to 2 years, to FDM plc via CCS’s Framework Lot 7 Hybrid Mail, Digital and Transformational

Communications. This will ensure business needs are met whilst the Council considers, and procures, for its future requirements.

The Council currently uses the services of FDM but is out of contract. There is therefore an urgent requirement to regularise the Council's arrangement and enter into a compliant contract, before the end of the financial year (and before the Mayoral election) by way of a direct award call off allowable under an established framework, for a term of 2 years with the option to extend for up to 2 year's to enable the Council time to:

- Prepare for the Mayoral election in May 2022
- Consider how to reduce spend
- Consider it's long term requirements for high volume print & mailing requirements, across the whole Council
- Consider tendering options such as running a mini competition from an established framework

2.2 The current service provision

Payments, Revenues, Benefits & Debt Department

This department has a statutory obligation to communicate effectively with a wide range of stakeholders such as residents and businesses. The department is working to migrate stakeholders from "Written communication by post" to lower cost methods. There are practical and legal constraints that mean that some correspondence must be sent by post. The departments currently use FDM for the provision of mailroom services for the following

- Council Tax and Business Rates annual billing and reminders
- Housing benefit notifications

Housing Department

This department needs to communicate effectively with a tenants and leaseholders. Rent notifications are sent by post. The departments currently use FDM for the provision of mailroom services for the following

- Housing rent notifications

Electoral Services

Electoral Services used FDM for the GLA elections in May 2021. The electoral communication starts in March 2022.

It should be noted that for both departments, there are long lead in times, e.g 3 - 6 months, for bulk print and mailing as the provider has to purchase stock and schedule the print and mailing work in advance.

3. Contract Providing for a Statutory Requirement

Although the issue of notices, documents by post is not necessarily mandated by law, they are all part of the administration of statutory services:

The processing of Benefit claims, Council Tax and NNDR is statutory requirement under the Local Government Finance Act.

Most debt recovery actions require notices to have been sent by post. The Electoral Administration Act 2006 is just one of the Acts and statutory instruments that cover elections, referenda and electoral registration.

Housing administration is a requirement under the Housing Act 1988 (as amended)

4. Financial implications

Elections and electoral registration budgets budget and expected spend

Electoral registration and election print and post expenditure is very volatile and variable as they track election events. External elections are the most costly and are externally funded.

Print and post costs in a year without any elections have been around £60k. Costs in a year with both local and external elections could be £1m. To avoid reactive, uncertain and urgent future procurements responding to unexpected external elections, it is prudent to contract for an amount that assumes the maximum likely spend on elections over the envisaged 4 year period.

This report shows an estimated possible maximum spend on elections and elector registration activity of £2.2m. Set at this level the council should avoid the costs and uncertainty and possible higher fulfilment costs associated with an additional urgent procurement.

The zero assured volume nature of the contract proposed enables officers to seek better value during the next four years. Details are set out in the Table 1 Forecast

Revenue and Benefits: The department has begun a channel shift project with a future annual budget saving of £120k pa.(MTFS project: RES Sav 39 - Digital by default for billing) . NB this project now requires no funding from the Councils General Fund, since grant funded.

Housing: The department is 80% through the migration to a new administrative system. This project will enable channel shift from post and print. This is NOT programmed to occur in 2022/23

The framework agreement provides unit pricing with total cost reflecting volumes used.

Based on the indicative annual volumes total costs are as presented below showing the breakdown between print and post charges.

The report does not propose contracting for this amount. As above *Elections dramatically increase expenditure.*

Postage charges:- Circa 70% of anticipated expenditure is consumed by postage charges rather than printing services. For illustration; indicative volumes for Revenue and Benefits show the split of post and print. The proportion for other departments is similar

Department	Annual Print charges	Annual Post charges	Total annual charges
Revenues and Benefits	£ 97,164.47	£ 207,835.53	£ 305,000.00

Percentage	32%	68%	100%
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Alternative provider costs

When the Council previously contracted with for mail services the Council’s corporate mail services contract (postage costs to LBCs mail room) was considerably more expensive for all postage rates. With the appointed external supplier (FDM) provider providing a >25% postage saving.

Second class mail

The vast majority (> 98% of Revenue and Benefits post) of mail is sent second class standard sized letters.

The unit price of 2nd class postage in FDM’s offer is marginally less than the Council’s corporate mail services contract.

First class and large letter mail

The post rates from FDM for First Class standard and large letters are higher than the council has obtained through our corporate mail services contract and therefore any First Class letters will/should be directed for posting via that route.

Savings

The external service provides the Council with capacity and delivery assurance.

The contract invites the supplier to propose cost reducing services. It is not expected that the supplier will deliver any substantial cost reductions during the contract life.

Demand Management

The Councils best route to cost reduction is via usage reduction. This can mostly be achieved through substitution by lower cost means of communication. Eg replace physical documents with on-line billing and emails to chase for payments.

Volume consumed and No volume assurance

The contract offers no volume assurance to the supplier. There are no minimum volumes and the council is free to engage other providers who can offer better value for existing outbound mail and for any requirements from the council.

In house service provision for a proportion of the service should also be explored for lower volume outputs during the first 2 years of the contract. This both a) would provide a way to reduce costs of first class mail and large letter and b) provides some resilience to supplier failure

Hybrid mail

The contract through the use of hybrid mail offers the prospect of staff efficiencies. The savings are though both diffuse and of a limited scale so that they are unlikely to be monetizable.

The deployment of hybrid mail does offer operational flexibility especially in the context of home working.

Budget Available	Yes		Cost Centres	Budget available
		Revenues and benefits	C13768	Yes

	Housing	C20505	Yes
	Electoral reg	C14389	Yes

In-year Pressures on Budget	No		Future Pressure on Existing MTFS Budget
		Revenues and benefits	No
		Housing	No
		Electoral reg	No/NA

Details	Period of funding	Internal		External	
		Capital	Revenue	Capital	Revenue
Revenues and benefits	2021/22	0	305	0	0
Revenues and benefits	2022/23	0	245	0	0
Revenues and benefits	2023/24	0	245	0	0
Revenues and benefits	2024/25	0	245	0	0
Housing (estimated)	2021/22	0	45	0	0
Housing	2022/23	0	45	0	0
Housing	2023/24	0	45	0	0
Housing	2024/25	0	45	0	0
Electoral reg	2021/22	0	80	0	0
Electoral reg	2022/23	0	80	0	0
Electoral reg	2023/24	0	80	0	0
Electoral reg	2024/25	0	80	0	0

Table 1 Forecasts spend over 4 years £3.56M

Maximum likely spend per year £k		Expected occurrence in 4 years	total forecast spend £k
Electoral registration	80	4	320
Elections external	510	2	1,020
Elections local	410	2	820
Elections and registration total	1,000		2,160
Elections and registration total	see above	see above	2,160
Revenues and Benefits	305	4	1,220
Housing	45	4	180
Total			3,560

Essential Spend Criteria

The proposed contract award will prevent further deterioration in the current financial situation and helps to improve it, because:

Entering into a 2 year contract, with the option to extend up to 2 further years

- enables the Council to budget for spend on this contract particularly important for Electoral Services and the May election as the Returning Officer has a responsibility to account for all election spend
- ensures compliance to its statutory obligation to communicate effectively with a wide range of stakeholders such as residents and businesses, and the most cost effective way is by calling off from an established framework

5. Supporting information

5.1	Procurement Process followed: Incl. details of the competition, advertisement, tenders received and any clarifications or issues.	<p>The CCS' Framework RM6017 Postal Goods, Services & Solutions, Lot 7 Hybrid Mail, Digital and Transformational Communications allows for direct award where the buyer can identify the supplier meets its core service requirements. Framework prices and framework call off terms apply.</p> <p>FDM were required to submit, via the Council's e-tendering portal, a Tender Response Document answering questions on how they will deliver their Services and to confirm their prices.</p> <p>Clarification via the tenders portal also took place in respect of postal charges.</p>
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5.2	<p>Evaluation results: Incl. each providers scores in accordance with the published criteria. Winning providers VFM offer</p>	<p>Best Value/VFM</p> <p>Value for money – VFM and a low cost of change</p> <p>Cost reduction - During the 2014/5 procurement Revenue and Benefits reduced the cost of ICT, print and post by more than ~£500k pa and nearly 50% of previous budget. Savings of £2.5m over 5 years</p> <p>Cost of change - RnB did this with an external resource. The total cost of the project being £84k. That procurement contrasts with the £1.5m CCB approved for the procurement expenditure the housing dept system of £1.5m</p> <p>FDM VFM</p> <p>In 2014 RnB identified the then lowest cost provider sector knowledge and high assurance of delivery. RnB negotiated a reduction in FDM standard rates. It is not possible repeat the 50% reduction in costs for like to like service/volumes.</p> <p>In 2022 FDM remain the lowest cost specialist provider. And in the top (lowest cost) decile for relevant cost print/post. A right sized right skilled SME.</p> <p>The framework presents costs from 23 suppliers and has more than 28,000 data points to analyse. More than 98% of RnB’s mail is 2nd class enveloped mail. Considering this item and high and low volume pricing FDM ranks 1st and 2nd . See table below</p> <p>{NB The only lower cost provider is a high volume generalist printer The difference in focus of the two business is clear from the two websites (https://www.ricoh.co.uk/ , https://www.fdmplc.com/public-sector/) }</p> <p>The supplier submitted a response to the following requirements and was assessed as below</p> <table border="1" data-bbox="454 1534 1513 2002"> <thead> <tr> <th>Requirement</th> <th>PASS/FAIL</th> <th>COMMENT</th> </tr> </thead> <tbody> <tr> <td>Delivering requirements for Revenues and Benefits</td> <td>PASS</td> <td>FDM’s has proven ability to provide a reliable responsive and data secure high volume delivery</td> </tr> <tr> <td>Delivering requirements for Electoral Services</td> <td>PASS</td> <td>FDM’s has proven ability to provide a reliable responsive and data secure high volume delivery</td> </tr> </tbody> </table>	Requirement	PASS/FAIL	COMMENT	Delivering requirements for Revenues and Benefits	PASS	FDM’s has proven ability to provide a reliable responsive and data secure high volume delivery	Delivering requirements for Electoral Services	PASS	FDM’s has proven ability to provide a reliable responsive and data secure high volume delivery
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		Delivering requirements for Housing and Leasehold	PASS	FDM's has proven ability to provide a reliable, and data secure delivery in timescales required.
		Print technology	PASS	FDM technology stack have proved both reliable and flexible. It's ability to combine multiple letters to same addressee reduces the Councils postage costs.
		Cost savings	Pass	The contract provides no assurance in respect of volume. Savings will be made by migrating recipients to alternative communication methods
		Management Information	PASS	Good management information provided
		Contract management	PASS	Structured approach
		Invoicing	PASS	Break down of invoice items backed by management information Invoice in arrears
		Social Value	PASS	Not a specific offer but showed commitment to several opportunities They employ Croydon residents.
		PSP	PASS	0.5% OFFERED in supplier submission
5.3	Any compliance issues with PCR or TCR?	The framework is PCR compliant. Framework terms and conditions must be used as a condition of using the framework.		

		<p>As framework terms apply and amendments cannot be made to the framework terms, therefore a waiver is requested to deviate from TCR regulation 23 in respect of council standard contract clauses. Note that legal were engaged to prepare the contract pack before the requirement was issued to the supplier.</p>
5.4	<p>Contract Management: Please detail how this will be delivered and by who?</p>	<p>The contract will be managed and lead by the Head of Payments, Revenues, Benefits and Debt, with support from the Head of Electoral Services and the Head of Housing.</p> <p>Regular meetings are to be conducted with the provider to ensure the Services are being delivered in accordance with agreed performance standards.</p> <p>As part of FDM’s contract management program, FDM will hold scheduled meetings with the Council to provide regular, ongoing support, report on key management information and identify/rectify any issues.</p> <p>Contract assurance includes the following activities and measures: · Key performance measures (KPI’s) · Assessment and reviews · Issue management · Continuous improvement and cost efficiencies · Security and asset risk management · Budget and spend management analytics · Coordinate and review, policy and contract developments · Report on all production and delivery activity</p> <p>Detailed information can be monitored including the following:</p> <ul style="list-style-type: none"> · Performance analysis - an overview of how the contract is performing · Savings Analysis - a view of the value being created by FDM and identify new opportunities · Monthly and cumulative spend - an overview of expenditure to enable effective budget monitoring · Cost breakdowns - to identify and separate all the component elements that together form the cost of service · Forecasting - to assist in the planning process · Granularity of contract usage - to provide spend analysis and usage, by business area and individual cost centres and identify maverick spend · Exception and compliance reporting - to identify exceptions and lost savings opportunities · Complaints analysis reporting - measure of performance and proactive problems solving and responsiveness · Spend by product category, cost centre, project · Spend v budget · Orders produced, dispatched, invoiced · Services Levels and performance against KPIs · Stock - volumes by product line, low stock, out of stock items, usage and trends <p>In addition, CCS will continue to monitor all supplier throughout the lifetime of the framework agreement and ensure insurances etc are up to date.</p>

5.5	Risks: Incl. how they will be managed	<p>There are no substantial risks associated with the contract.</p> <p>Payment is monthly in arrears thereby mitigating the risk of paying for services not received.</p> <p>The contract provide no assurance of volume and hence the vast majority of the spend is not assured.</p> <p>The main risks therefore are:</p> <p>RISK: No service – supplier failure</p> <p>Mitigations:</p> <ol style="list-style-type: none"> 1. Enable in house print and post to deliver same service So the in house service might provide an immediate solution in the event of supplier failure as There is now minimal difference in unit postage costs. So an in house solution would not increase the postage costs significantly <p>NB: The in house service does not have the capacity to deliver the volumes required at annual billing and other key times. So delivery would be slower. The internal service does not have experience high volume dispatch entailing utilities like postage cost reducing letter merging</p> <ol style="list-style-type: none"> 2. Reprocure After supplier failure Procure while leaving this contract in place <p>RISK: Poor service</p> <p>Mitigations: Contract management as set out in the report, early intervention and contract remedies.</p>
5.6	Mobilisation plan How will it be managed?	Although there is no change to supplier FDM will visit the Council at the outset to assess job requirements and develop a project plan to define all the key milestones, KPI's and SLA's.
5.7	Decommissioning plans:	The current service provider remains the same. Future review of outbound mail, impact of hybrid mail and working practices will inform the exit and recommissioning when this contract comes to an end.

	How will they be managed between providers?	The framework terms contain exit obligations on the supplier.
5.8	TUPE: If applicable, how will it be managed?	TUPE is not applicable to the contract.
5.9	Interdependencies – If any: Incl. details of any arrangements i.e. Landlords, Consortiums, Assets connections and how they will be managed	<p>Three council services require the benefit of the contracted services.</p> <p>Note that within Housing a major IT systems change is underway. Outputs from the system are outbound mail processed by the supplier. The project team will liaise with FDM to ensure</p> <p>Revenues and Benefits are looking at channel shift, the impact of CA, lo code, internal print</p> <p>Electoral Registration are impacted by the imminent mayoral referendum.</p>
5.10	GDPR implications: Has an assessment been completed, do legal know to include in t&cs?	<p><i>Further information and support can be found at the link below:</i> https://intranet.croydon.gov.uk/resources/information-management/gdpr/gdpr-overview</p> <p>The government framework contract includes a GDPR compliant Data Processing Agreement.</p> <p>The scope of personal data processed by the supplier is: Names and addresses NINO Employment Salary</p> <p>There are no implications for the mailing element. IM have been consulted. The reply to DPIA papers is expected from IM before contract entered into.</p>
5.11	Equalities: Please confirm how the proposed contract will support the EQIA?	<p>The supplier has a training and staff development policy.</p> <p>Their employees are entitled to: · equal opportunities in all aspects of their development · an induction into their job, their team and the organisation · an explanation of the direction and the objectives of the organisation via annual staff meeting · agreed clear and measurable objectives for their performance at work during reviews · yearly review of their performance · all managers who are committed to staff development · coaching to enhance learning, development and career progression.</p>
5.12	Social Value:	Although there was no specific social value commitment to the Council, the supplier made clear a specific commitment would have been at additional cost,

	Please confirm how the provider will deliver the 10%?	they do offer the opportunity to school children of ages 16-18 to undertake work experience at its site and FDM also works in conjunction London borough employment schemes.
5.13	London Living Wage (LLW): Please confirm the provider pays LLW?	Supplier has confirmed payment of LLW
5.14	Premier Supplier Scheme (PSP): Please confirm this is included in the requirements	The supplier offered to join the scheme at a 0.5% rebate level.

6. Conclusion and reasons for recommendations

The purpose of this report is to seek approval for the Council to directly award a contract for a term of 2 years with the option to extend for up to 2 years, to FDM plc via CCS's Framework Lot 7 Hybrid Mail, Digital and Transformational Communications. The ability to extend up to 2 further years allows time for the council to thoroughly consider how to reduce spend and future council wide requirements.

The current contract offers security of service, value for money, flexibility, managed risk with ability of working anywhere with the print and mail function called 'hybrid mail' which enables home/ agile working as remote staff are able to create and dispatch letters from their laptop.

This will ensure business needs are met whilst the Council considers, and procures, for its future requirements.

Options considered

Options considered for the approved Strategy included running an open tender or running a further competition, but the longer timescales and project costs of doing so were rejected in favour of the direct award.

The option not to award was considered but was rejected as this would mean the Council would be unable to meet statutory obligations if contractual arrangements were not in place.

7. Outcome and approvals

Outcome	Date agreed	
Approved CCB1720/21-22 28.01.2022	Service Director (to confirm Corporate Director has approved the report) Richard Ennis	25/1/22
	Cabinet Member for Resources & Financial Governance	27/01/22
	Legal Sonia Likhari CCBReportsforlegal@croydon.gov.uk	26/1/22

	Head of Finance	27/1/22
	Human Resources (if applicable) send to Dean Shoesmith	27/1/22
	C&P Head of Service Scott Funnell	26/1/22
	Lead Member <i>(for contract award over £500k)</i>	27/01/22
	Procurement Board	CCB1720/21-22 28.01.2022

8. Comments of the Council Solicitor

The Council is under a general Duty of Best Value to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007))

The Cabinet Member is empowered to make the decision in accordance with the recommendations pursuant to the Tenders and Contracts Regulations, which form part of the Council's Constitution

Approved by Sonia Likhari on behalf of the Interim Director of Legal Services

9. Chief Finance Officer comments on the financial implications

Approved at Procurement Board

Approved by [Matt Davis] on behalf of the Chief Finance Officer

Appendix 1 Value for Money

Value for money – VFM and a low cost of change

Cost reduction - During the 2014/5 procurement Revenue and Benefits reduced the cost of ICT, print and post by more than £500k pa and nearly 50% of previous budget. Savings of £2.5m over 5 years were achieved.

Cost of change - RnB did this with an external resource. The total cost of the project being £84k.

FDM VFM

In 2014 RnB identified the then lowest cost provider sector knowledge and high assurance of delivery. RnB negotiated a reduction in FDM standard rates.

We cannot repeat the 50% reduction in costs for like to like service/volumes.

In 2022 FDM remain the lowest cost specialist provider. And in the top (lowest cost) decile for relevant cost print/post.

A right sized right skilled SME.

The framework presents costs from 23 suppliers and have more than 28,000 data points to analyse.

More than 98% of RnB's mail is 2nd class enveloped mail.

Considering this item and high and low volume pricing FDM ranks 1st and 2nd . See table

The only lower cost provider is a high volume generalist printer without the required Revenues and Benefits experience.

item		
3.0 Standard Class Postage (2nd Class or Equivalent)		
Low Sort		
Supplier	rank small	rank large
FDM	1	2
Lot 7 Generalist Printer	6	1

Ranking all Suppliers Lower Price = higher rank

Based on framework pricing. Note prices are confidential not for publication.

Supplier	rank small	rank large
Lot 7 Capita Pricing	22	15
Lot 7 CDS Pricing	18	16
Lot 7 CFH Pricing Schedule	20	21
Lot7 Critiqom Pricing	10	12
Lot 7 DHL Pricing	3	9
Lot 7 FDM Pricing	1	2
Lot 7 HybridMail Ltd Pricing	23	23
Lot 7 Latcham Direct Pricing	14	8
Lot 7 Paragon Pricing	11	4
Lot 7 Pitney Bowes Pricing	8	3
Lot 7 PSL Pricing	12	14
Lot 7 Quadiant Pricing	19	20
Lot 7 Ricoh Pricing	6	1
Lot 7 Royal Mail Pricing	21	22
Lot 7 R W Pierce Pricing	7	10
Lot 7 Pricing SLM	2	5
Lot 7 Stannp Pricing	16	19
Lot 7 Swiss Post Pricing	13	17
Lot 7 Unifiedpost Pricing	17	13
Lot 7 Virtual Mailroom Pricing	4	6
Lot 7 Webpost Pricing	5	7
Lot 7 Whistl Pricing	15	18
Lot 7 Xerox Pricing	9	11

Appendix 2 Elections and registrations historic and forecast spend

Electoral registration					
	Activity	year	Amount	Actual or forecast	Note
	Electoral reg	2018/19	£81K	actual	
	Electoral reg	2019/20	£55K	actual	
	Electoral reg	2020/21	£85K	actual	
	Electoral reg	2021/22	£64K	forecast	
	Electoral reg	2022/23	£80K	forecast	
	Electoral reg	2023/24	£80K	forecast	
	Electoral reg	2024/25	£80K	forecast	
Elections external					
	Elections external	2019/20	£397K	actual	
	Elections external	2020/21	£365K	actual	
	Elections external	2021/22	£365K	actual	
	Elections external	2024/25	£260K	forecast	General election
Elections external					
	Elections local	2019/20	£16K	actual	
	Elections local	2021/22	£37K	actual	
	Elections local	2022/23	£376K	forecast	mayor ref and election
	Elections local	2023/24	10K	forecast	
	Elections local	2024/25	10K	forecast	