

## CABINET

18 June 2024

<b>Title:</b> Procurement of Hybrid Mail, Digital and Transformational Solutions, Multi-Functional Devices and Print Management Services	
<b>Report of the Cabinet Member for Finance, Growth and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Executive Team Director:</b> Jo Moore – Strategic Director, Resources	
<b>Summary:</b>  In 2019, the Council conducted a competitive procurement which resulted in the award of a five-year contract with an optional extension for five years to Xerox (UK) Ltd to deliver: <ul style="list-style-type: none"><li>• Physical Multi-Functional Devices (MFDs) at various locations</li><li>• Hybrid Mail (Digital Outbound Mail Solution)</li><li>• Web 2 Print – Web based Print &amp; Mail Hub for Specialist Print Requirements</li></ul> In anticipation of the end of the initial five-year contractual term, officers reviewed the position regarding the optional five-year extension, and it became apparent that it would not be appropriate to continue with the existing contract beyond its original five-year term.  The first of those reasons relates to Regulation 72 of the Public Contracts Regulations 2015 (PCR 2015), which addresses the modification of contracts during their term and sets out specific circumstances under which contracts can be modified without requiring a new procurement process. Regulation 72 applies generally to all public contracts, but its application must be considered in the context of the specific conditions it outlines. The contract has exceeded its original estimations and, on the current trajectory, the spend would be more than 50% of the original contract value, amounting to a substantial cost increase which has the potential to present a risk of external legal challenge if the contract was to be extended. The contract reached the stage of Section 72 due to the Revenues and Benefits Service being brought into scope in June 2022. At the time, the expansion represented a cost saving against the Revenues and Benefits Service's current provider. However, the size and growth of the Revenues and Benefits Service was unknown, and it was not expected to increase the growth of the contract by over 50%, as has occurred.  The second reason reflects a desire to split the ongoing procurement of the print services to deliver added competition, value and quality outputs, as well as giving other providers in the market the opportunity to bid for individual lots.  Therefore, this report proposes two separate procurements for:	

1. Hybrid Mail solution with the added ability to digitally communicate with LBBB residents.
2. Multi-Functional Devices (MFDs) and print management service at various locations.

As referred to above, the original contract that was let in 2019 also included Web 2 Print services. This element will be procured through a separate procurement strategy and has, therefore, been excluded from this paper. This procurement will employ a marketplace approach, where each time a Web 2 Print requirement arises, LBBB will consult the marketplace to acquire the most economically advantageous provider.

### **Hybrid Mail and Digital and Transformational Solutions**

LBBB has an ongoing requirement to communicate with its residents which, depending on the desired outcome, may require the physical printing and posting of correspondence. These services are currently provided to LBBB under a Fully Managed Print and Post Services Agreement in the current Xerox contract which expires on 30 November 2024.

Since the start of the contract, the postal costs have increased by an average of 90% and as this is an operational pass-through cost from Royal Mail, there is every potential for the costs to rise in the future, should communications with residents continue via this method. The cost of the service provision is recharged to individual budgets on a usage basis and this procurement exercise allows LBBB the opportunity to attempt to avoid the cost increases by either procuring a reduced rate card through a competitive tender process and/or through a collaborative digital communications channel shift strategy.

By implementing a rigorous digital communication culture, the Council could reduce costs considerably. For example, sending a 1-page communication as an email as opposed to a 1st class post would reduce the cost from 96p to 5p.

The Council will be using the CCS RM6280 – Postal Services and Solutions Framework Lot 6 Hybrid Mail, Digital and Transformational to conduct this procurement. This framework was established on 3 October 2023 and is valid until 2 October 2027.

This procurement will seek to acquire a seven-year contract with a new provider, with a structure of four years plus an optional three-year extension. This is the maximum contract term available on the chosen framework for Hybrid Mail.

The overall cost of Hybrid Mail service over the 7-year period can be seen in the table below:

<b>Description</b>	<b>Cost per Year</b>	<b>Total Cost Over 7 Years</b>
Hybrid Mail	£1.38m (£1.15m + VAT)	£9.66m (£8.05m + VAT)

These costs have been calculated using previous years' volumes and include an anticipated increase in demand as well as inflationary pressures.

### **Multi-Functional Devices (MFDs) and Print Management Service**

This procurement will also seek to acquire a maximum five-year contract with a new provider, who will solely concentrate on providing the Multi-Functional Devices and Print Management Services for a contract length of four years plus an optional one-year

extension. This is the maximum contract term available on the chosen framework for MFDs.

The Council will be using the CCS RM6174 - Multi-Functional Devices, Print and Digital Workflow Software Services and Managed Print Service Provision Framework Lot 3 for this procurement. This framework was established on 13 September 2021 and is valid until 12 September 2025.

The overall cost of MFDs can be seen as per table below:

<b>Description</b>	<b>Cost per Year</b>	<b>Total Cost Over 5 Years</b>
MFDs Lease Costs & Usage	£107,494 (£89,579 + VAT)	£537,474 (£447,895 + VAT)

These costs have been calculated using previous years' volumes and include an anticipated increase in demand as well as inflationary pressures.

It is important to note that the costs shown above are estimations based on the current contracts in place. All these costs are consumption based and will vary based on the quantities consumed, therefore these costs should not be seen as absolutes but instead, as estimations.

### **Recommendation(s)**

The Cabinet is recommended to:

- (i) Agree that the Council proceeds with the procurement of contracts for the provision of Hybrid Mail and Digital and Transformational Solutions and Multi-Functional Devices and Print Management Services, in accordance with the strategy set out in the report; and
- (ii) Authorise the Strategic Director, Resources, in consultation with the Cabinet Member for Finance Growth and Core Services and the Head of Legal, to conduct the procurements and award and enter into the contract(s) and all other necessary or ancillary agreements to fully implement and effect the proposals.

### **Reason(s)**

To assist the Council in achieving value for money and ensure compliance with the Council's Contract Rules and the Public Contracts Regulations 2015.

## **1. Introduction and Background**

### **Hybrid Mail**

- 1.1 The Council maintains a traditional postal service for both inbound and outbound mail. The Council must maintain a physical post solution as items such as the issue of reminder notices and summonses are legal notices which cannot be sent electronically. The same applies to parking PCN notices, as it is a statutory requirement for these to be printed and posted. The Council has done a substantial

amount of digital transformation and currently delivers a large majority of its outgoing mail via hybrid mail.

- 1.2 In 2019, a contract was awarded to Xerox (UK) Ltd for the end to end fully managed print and post service. The service provider implemented Hybrid Mail as the digital print and post solution. Awarding the contract initially reduced the unit cost of printing & posting each letter and released the Council from the in-house print function overheads.
- 1.3 Hybrid mail is a service that allows documents to be securely transferred to a third-party for onward processing. The process can be initiated either by a user selecting the service via the file, print option within software such as Microsoft Word, or by transmitting PDF documents or even data, for later inclusion in a template. Once the file is with the third-party there are, typically, three options:
  - a. the letters are printed, posted and delivered via organisations such as the Royal Mail, or
  - b. the electronic file is delivered via email, or
  - c. an SMS (text) message is sent to the recipient, providing a link to where the document is available.
- 1.4 Options b and c above would typically include the ability to identify if the digital message has been read by the recipient. If it has not, the systems will revert as a last resort to printing and posting the original correspondence. Because the third parties that operate in this market are working with large volumes (across many organisations), economies of scale decrease the costs of postage.

From a cost perspective the Hybrid Mail (postal) unit cost is made up of the below:

- Postage Cost
- Envelope
- Paper
- Print
- Fulfilment

- 1.5 The Council has seen the benefits of using the Hybrid Mail service during Covid-19 lockdowns. To illustrate this point:
  - A user can send a file to the service from any location, be that home or office.
  - There is no need to print to a multi-functional device, this has seen a reduction in hardware and associated printing.
  - This has also seen a reduction in the need for holding physical stocks of paper or envelopes.
  - Users across the Council have recouped their time spent printing, collecting, and processing items of outbound post, and used that time to complete other required tasks.
- 1.6 The Council securely transfers an electronic file of the relevant documents to the Hybrid Mail provider. The file includes the name and address details of the intended recipient(s). The Hybrid Mail provider receives the file, prints, packages the documents, and then mails them to the recipients on behalf of the Council using the Royal Mail postal service.

- 1.7 From the table below you will see that year on year since the initial contract commenced, there has been an increase year on year in Volumes and Expenditure. During 2023-24, a total of 1.3 million letters were sent by the Council using the supplier's Hybrid Mail service as a cost of circa £1 million. With the expected Royal Mail price increase of 15% from July 2024 & considering 23/24 letter volumes, it would cost LBBD an additional £150k to send the same number of letters. The table below shows the annual volume and spend for Hybrid Mail during the existing contract term.

<b>Financial Year</b>	<b>Total Volume</b>	<b>Total Expenditure</b>
20/21	470,747	£295,119.95
21/22	869,873	£594,978.00
22/23	1,151,015*	£817,836.65
23/24	1,327,075*	£1,035,628.53

\* The volumes increased after Revs & Bens joining the scope of services.

- 1.8 Due to the above volume and cost increases we require a working partnership with a service provider who will assist LBBD in its need to move away from using the traditional print and post methods and encourage the use of Electronic/Digital delivery of communication to its residents where possible, this strategy if fully scoped, funded & implemented has every potential to deliver ongoing financial savings.
- 1.9 Using the MI data collected from the existing Hybrid Mail service, we have identified the service areas within the council that are not bound by legislation to print and post and can be supported into channel shifting to Electronic/Digital delivery, an example of this is the Revenue and Benefits department. Last year this department produced in the region of 550,000 bills and statements for Council Tax, Business Rates, Rents, Leaseholders and Benefits, these were all printed and posted.
- 1.10 Officers across the Council will be encouraged in the first instance to issue post electronically, where appropriate, as this will reduce postage expenditure. Not all post will be able to be delivered via a third-party provider, so an outbound mail capability will continue to be required in-house for parcels and documents that require finishing i.e. stapling.
- 1.11 After initial configuration, all expenditure on this contract would be consumption-based. Volumes and costs would fluctuate based on demand, and any concerted efforts to migrate to electronic delivery of communication will save costs for the Council.

### **Multi-Functional Devices with Print Management Services**

- 1.12 All departments within the council require office scanning, printing, and photocopying. The current contract for Managed Print Services and provision of multi-functional devices with Xerox expires on 30 November 2024. The intention is for a new Managed Print Service to be procured and implemented by 1 December 2024 using the CCS (Crown Commercial Service) RM1674 – Multi-Functional Devices, Print and Digital Workflow Software Services and Managed Print Service Provision Framework.

- 1.13 The current contract covers products associated with Managed Print Services including a fleet of print devices (Multi-Functional Device printers) on a lease agreement basis, consumables i.e., toner, staples, software and hardware support, cloud services and a print management software to enable users to release print jobs using their ID swipe cards.
- 1.14 The devices were provided on a “Per Click” basis, which means that the printing, support, maintenance, and capital costs are built into the cost of each page that is printed. This has enabled costs to be charged back to each service based on their usage, therefore costs can be managed simply by reducing printing.
- 1.15 Using the Print Management reporting software available from the vendor, costs have been managed appropriately and utilisation monitored and reviewed regularly.
- 1.16 When the contract commenced in 2019, the Council leased 102 MFDs with Xerox. However, due to the Covid pandemic and the adoption of hybrid working, there has been a significant reduction in the use of the devices. Consequently, 17 MFD devices have been returned to Xerox and the current total being used is 85 devices.
- 1.17 From a spend perspective, as the table shows below overall costs have reduced by 49% since the Xerox contract commenced. This is down to the original audit that Xerox carried out when awarded the contract, they reduced the fleet by a 1/3, and due to remote working over the last 4 years the devices have not been utilised.

<b>Financial Year</b>	<b>Usage Costs</b>	<b>Lease Costs</b>	<b>Total</b>
19/20** Previous Contract	£71,890.14	£104,419.00	£176,309.14
20/21	£15,874.22	£66,475.84	£82,350.06
21/22	£14,806.70	£66,475.84	£81,282.54
22/23	£18,813.42	£66,475.84	£85,289.26
23/24	£23,124.43	£58,311.52	£81,435.95

- 1.18 The Council intends to work in partnership with a Service Provider to support the Council’s vision to minimise printing. This is most likely to be in the form of a corporate print policy which will put certain rules in place regarding printing, i.e. no colour printing. The council would like to continue to reduce the amount of MFDs that form part of the fleet and in particular the larger devices that are expensive to lease and either these are to be removed entirely or replaced with smaller devices, which will reduce lease costs.

## **2. Proposed Procurement Strategy**

### **2.1 Outline specification of the works, goods or services being procured**

#### **Hybrid Mail**

- 2.1.1 This procurement will look to procure and implement a Hybrid Mail digital outbound mail solution. This system’s main function for the Council is to assist with communicating with residents via various channels either using the traditional paper and post method or the digital channels i.e., SMS, Email or Portal Email using 2 – Part Authorisation i.e. Text a code to open the document.

## MFDs

2.1.2 This procurement will look to obtain and implement Multi-Functional Devices (MFDs), Print Management and / or Digital Workflow under Managed Service Provision. This will assist all departments within the council to produce documentation.

### 2.2 Estimated Contract Value, including the value of any uplift or extension period

Description	Cost per Year	Total Cost Over 7 Years
Hybrid Mail	£1.38m (£1.15m + VAT)	£9.66m (£8.05m + VAT)

Description	Cost per Year	Total Cost Over 5 Years
MFDs Lease Costs & Usage	£107,494 (£89,579 + VAT)	£537,474 (£447,895 + VAT)

### 2.3 Duration of the contract, including any options for extension

2.3.1 **Hybrid mail** - This procurement will seek to commission a 7-year contract with a new provider, with a structure of 4-years plus an optional 3-years extension, this is the maximum contract term available on the chosen framework.

2.3.2 **MFDs** - This procurement will seek to commission a 5-year contract with a new provider, with a structure of 4-years plus an optional 1-year extension, this is the maximum contract term available on the chosen framework.

### 2.4 Is the contract subject to (a) the Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If yes to (a) and contract is for services, are the services for social, health, education, or other services subject to the Light Touch Regime?

2.4.1 Yes

### 2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 This recommended procurement procedure will be to conduct a mini competition through a compliant CCS Framework.

2.5.2 The use of a pre-procured framework will reduce the internal cost to procure and will reduce the time required to assess potential providers for background quality checks, as a base criterion of access has already been conducted by Crown Commercial Service (CCS).

2.5.3 The preferred framework for the purposes of this report is the CCS Framework, listed below:

- RM6280 Lot 6: Hybrid Mail, Digital and Transformational
- RM6174 Lot 3: MFDs, Print Management and / or Digital Workflow under Managed Service Provision

2.5.4 Working with Procurement, the project team has determined the CCS framework is the appropriate route to market for the following reasons:

- (i) The framework offers a wide range of specialist suppliers.
- (ii) The framework provides an opportunity to aggregate buyer requirements and attract volume discounts.

2.5.5 A Service specification has been written which will be issued to all suppliers listed under the framework to inform the mini competition. Bid responses will be evaluated by the Council, and an appropriate supplier will be recommended.

## 2.6 The contract delivery methodology and documentation to be adopted

2.6.1 This contract(s) will be delivered in accordance with the CCS Framework call off contract terms and conditions; the suppliers licensing T&Cs will also form part of this contract.

2.6.2 The key milestones and timescales for the exercise are:

2.6.	Tasks	Deadline
	Issue Tender	24 <sup>th</sup> June 2024
	Clarification deadline	15 <sup>th</sup> July 2024
	Tender submission deadline	23 <sup>rd</sup> July 2024
	Tender evaluation period	24 <sup>th</sup> July 2024- 6 <sup>th</sup> August 2024
	Issue of standstill/award notices/award report	13 <sup>th</sup> August 2024
	Standstill ends (after 10 days but cannot fall on a weekend)	23 <sup>rd</sup> August 2024
	Issue contract	24 <sup>th</sup> August 2024
	Mobilisation period	24 <sup>th</sup> August 2024 - 30 <sup>th</sup> November 2024
	Contract start date	1 <sup>st</sup> December 2024

3 The contract(s) will be managed by the IT Services with the support of Procurement due to its corporate cross council nature.

## 2.7 Outcomes, savings and efficiencies expected because of awarding the proposed contract

2.7.1 The Council is looking for a partnership with a supplier who can support its digital vision to reduce print and post costs by switching to other electronic channels of communication with residents.

2.7.2 The cost of paper and postal communications is in 2024/5 expected to exceed £1M with postage costs being the larger part of the cost. The postal cost is rising at 20% year on year. At the time of writing, each postal interaction cost just over £1 (depending on content), the same content delivered via email would cost under £0.05. The population of the borough is also growing which further drives cost in this area. It is clear that some of our residents will not be able to use digital communications but indications are that a large proportion can but may prefer not to.



2.7.3 To illustrate this point, according to DWP statistics from November 2023, there are 25,000 LBBB households who manage their Universal Credit accounts online via digital methods. This is over a third of the 74,000 households in the borough. In this case there is no non-digital way to interact with the service. This suggests that considerable growth of digital interaction in delivery of Council services with residents should be achievable.

**2.8 Criteria against which the tenderers are to be selected and contract is to be awarded**

2.8.1 This procurement will be awarded based on the following criteria split:

- 60% - Price
- 30% - Quality
- 10% - Social Value

**2.9 How the procurement will address and implement the Council’s Social Value policy**

2.9.1 Due to the value of this procurement, Social Value will form 10% of the awarding criteria and have two dedicated questions as part of the Councils requirements supplied to all potential suppliers.

The team responsible for the running of this procurement will work with the Council’s Social Value officer to produce two distinct and clear questions that relate to the Council’s Social Value policy and can be effectively answered and evaluated.

The Social Value aspect of this contract will be delivered and managed by the Council’s Digital Print and Mail Product Owner & Commercial Support Officer.

**2.10 London Living Wage (LLW)**

2.10.1 Not applicable as the system implementation & on-going support can be delivered remotely.

**2.11 How the Procurement will impact/support the Net Zero Carbon Target and Sustainability**

2.11.1 The supplier will be assessed as per the CCS framework.

**3. Options Appraisal**

3.1

Option	Rationale
Do Nothing (Rejected)	The Council requires a print and post provision to communicate with residents. Doing nothing would result in the service being inoperative, this would have significant negative impacts on the organisation including, but not limited to, its reputation.
Open Market Tender (Rejected)	Due to the availability of viable CCS Frameworks and the number of competitors on these

	<p>frameworks that can provide such systems, it does not seem advantageous for the Council to engage in an open market tender.</p> <p>This process is often longer than using a designated framework, and for the benefit of time management it is seen as a less advantageous option.</p>
Other viable frameworks, notably LPP (Rejected)	The Council have explored several routes to market, including LPP. the Council believe it does not offer such a comprehensive a tender exercise, i.e. number of suppliers who have the expertise in this field and given the requirement to moving towards Digital Methods of communication, is not suitable.
Direct Award (various methods) (Rejected)	Under public contract rules, a direct award in the current circumstances would not be compliant and we may not be obtaining the best price possible.

#### **4. Waiver**

4.1 Not applicable as a fully compliant procurement process is being completed.

#### **5. Consultation**

5.1 There has been a wide array of consultation that has formed part of this proposed procurement process.

5.2 The proposals in this report were considered and endorsed by the Procurement Sub-Board on 7 May 2024, the Procurement Board on 20 May 2024 and the Executive Board on 23 May 2024.

#### **6. Corporate Procurement**

Implications completed by: Sam Woolvett, Category Manager, Resources

6.1 This report lays out the intended procurement strategy for hybrid mail services and MFDs.

6.2 The strategy outlined in this report is compliant with the Public Contracts Regulations 2015 and the Council's Contracts Rules.

6.3 Carrying out further competitions from CCS Frameworks is likely to offer the Council best value for money for these types of services.

#### **7. Financial Implications**

Implications completed by Sandra Pillinger, Finance Manager.

7.1 This report is seeking approval for the procurement of two new contracts:

- a hybrid mail contract with an estimated annual cost of £1.15m + VAT or £9.66 + VAT over the 7-year contract term, and
- a new MFD contract with an estimated cost of £89,579 + VAT pa or £447,895 + VAT over the 5-year term.

7.2 The values above are estimates as actual costs will be dependent on usage. The lease costs of the MFDs are budgeted within IT. All other costs are funded from the relevant service budget.

7.3 There is a savings target around hybrid mail which aims to provide a saving of £480,000 pa by 2026/27. The hybrid mail contract aims to achieve this saving by digitising outbound mail i.e. sending via email, SMS, and online portals. The saving will be Council-wide although mainly within Support and Collections. A mechanism will need to be developed to recover the saving from the relevant service area. The estimated costs in para 7.1 are gross of any savings to be made.

7.4 A saving of £11,900 in lease costs has already been achieved by reducing the number of MFDs by 11 units. It is anticipated that the new contract will potentially make additional savings by further reducing the number of MFDs.

## 8. Legal Implications

Implications completed by: Lauren van Arendonk, Acting Principal Contracts and Procurement Lawyer

8.1 This report seeks to procure hybrid mail and MFD contracts under the CCS Framework, using the mini competition function. Under r 31.1 of the Contract Rules, Officers must consider what procurement method and procedure is most likely to best achieve the Council's objectives including frameworks. CCS Framework is an established framework. Under regulation 33 of the Public Contract Regulations 2015, contracting authorities may conclude framework agreements, provided that they apply the procedures provided for with the PCR 2015.

8.2 Although there is the option to extend under the current contract, the original value of the contract (being £1,699,482, as published on Contracts Finder), has been exceeded. It must be noted that there was a mistake made with the original uploading of the contract value onto Contracts Finder. The value of the first 5 years and not the total maximum value for 10 years was uploaded (being £3.4M instead of £1.69M). The expected spend under the current contract is forecasted to far exceed the original contract value. Under reg 72 of the Public Contract Regulations, contracts may be modified during their term if the modification does not substantially change the nature of the contract scope and if the price does not increase 50% of the original contract value. The current circumstances do not meet the regulation 72 safe harbours for contract modification. A new procurement must be run to remain PCR compliant.

8.3 Under r 29.2 of the Contract Rules, any framework terms and conditions must be reviewed by Corporate Procurement and Legal Services prior to acceptance. Legal and procurement have been instructed and advised on the process; legal will be onside to review the terms of the framework together with the call off or order form to confirm its suitability and compliance.

- 8.4 Provided that the Contract award is conducted in accordance with the CCS Framework guidelines and in accordance with the Public Contract Regulations 2015, this procurement strategy can be approved.
- 8.5 Lastly, in accordance with r 59.2 of the Contract Rules, where a Contract has a value of £250,000 (including VAT) or more, it must be sealed. Legal services will be onside to assist with drafting and sealing.

## **9. Other Implications**

- 9.1 **Risk and Risk Management:** A copy of the Risk Register is set out at Appendix 1.
- 9.2 **Corporate Policy and Equality Impact:** Equality Impact Assessment Screening Tools are attached as Appendices 2 and 3. Full EIA assessments are not required.
- 9.3 **Business Continuity / Disaster Recovery:** We will be asking the supplier to do a Cloud Security Principles Questionnaire/Data Protection Impact Assessment and Disaster Recovery procedures as part of the tender process.

**Public Background Papers Used in the Preparation of the Report:** None

### **List of appendices:**

- **Appendix 1:** Risk Register
- **Appendix 2:** Equality Impact Assessment Screening Tool (Hybrid Mail)
- **Appendix 3:** Equality Impact Assessment Screening Tool (MFDs)