

CABINET

16 JUNE 2015

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

7

REPORT TITLE: RENEWAL OF IN-BOUND MAIL CONTRACT

REPORT OF THE HEAD OF REVENUES, BENEFITS & INFORMATION TECHNOLOGY
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

- 1.1 To seek Cabinet approval to renew the contract for the scanning and indexing of in-bound mail for its high volume Service Departments with Northgate Public Services for a further period of five years from 1 December 2015.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves the renewal of the in-bound mail contract with Northgate Public Services at a projected cost of £232,500 over five years as detailed at 10.14 below.
- 2.2 That Cabinet approves the issuing of a Voluntary Ex Ante Transparency (V.E.A.T.) Notice in the Official Journal of the European Union (OJEU).

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the Council preserves the provision of an in-bound mail contract for its high volume Service Departments at reduced cost.
- 3.2 To ensure that the Council complies with European Union Procurement Legislation.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There is no other service provider that can deliver the in-bound mail service direct to the desk top without the need for daily extracts of the database to be cut and made available to the contractor and manual intervention to load the digitised documents, which would result in delays in delivering the post.
- 4.2 Because Northgate Public Services “own” the Council’s Document Imaging System, Information@Work, they are contractually able to directly access the Council’s database removing the need for the functions mentioned in 4.1

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 There has been no external consultation on this as it is an operational matter. The Portfolio Holder for Finance and IT is aware of the proposal.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 12 May 2015.

7. BACKGROUND

- 7.1 Document Management was first implemented at this Council in January 1997 in the Revenues & Benefits Service. The system used is Northgate's Information@Work (I@W). The system was wholly maintained within the Revenues & Benefits Service and scanning and indexing was carried out by staff within that Service area.
- 7.2 As part of the re-organisation in 2005, all the clerical and administrative functions within the Revenues & Benefits Service, including scanning and indexing, were transferred to the Management Support Unit.
- 7.3 The roll out of Document Management was an integral part of the service@north-herts Programme and is now established in a number of Service Areas, including the high volume Services such as Revenues & Benefits, Planning & Building Control, Licencing, Environmental Health, Legal Services, Housing and smaller volume Service Areas such as Human Resources, Land Charges, Insurance and Property.
- 7.4 Originally, the scanning and indexing of documents was carried out in-house within the Management Support Unit.
- 7.5 On 27 July 2010, Cabinet approved a proposal to outsource the work to Northgate Public Service's Docs-on-Line Service at an annual saving of £83,000. The new contract commenced on 1 December 2010 for a period of five years.
- 7.6 The 2010 contract was awarded on the basis of a single supplier, having fulfilled the E.U. Procurement requirements of issuing the relevant notice in the Official Journal of the European Union.
- 7.7 This was because as Northgate Public Services is also the owner of I@W, no other supplier can have direct access into the application system to deliver documents direct to the desk top without the requirement to take daily copies of the I@W database and have to load the images from a disc or other medium.
- 7.8 The arrangement with Northgate Public Services means that the Planning and Building Control Services receive post twice each day on the day of receipt through a secure link between Northgate's Offices and the Council Offices and other Services receive their post once each day, on the day of receipt.
- 7.9 The contract also provides for Northgate Public Services to bank any cheques or other money received through the post on behalf of the Council direct into the Council's bank account and to account for these to the Council.
- 7.10 As the initial contract is reaching its end, the Head of Revenues, Benefits & IT has been negotiating new terms for an extension of the contract.

8. ISSUES

- 8.1 After the initial teething problems associated with any major change in process, the contract has worked extremely well. Errors are rare and when there are any, they are quickly resolved. A good working relationship has developed between Northgate Public Services and the Council and the timely provision of post each day is taken as normal by Officers using the outsourced service.
- 8.2 Officers are recommending extending the contract for a further five years for the following reasons:
- There is no other supplier that can provide a comparable service
 - A new supplier would incur additional set up costs, which were £16,000 in 2010 and would be more at today's prices
 - Northgate Public Services has provided a very good service to the Council during the last five years

9. LEGAL IMPLICATIONS

- 9.1 The V.E.A.T. notice requirement referred to in 2.2 above is a means by which a Voluntary Ex Ante Transparency Notice is published by the Council in the Official Journal of the European Union which specifies why the Council wants to extend the Contract which is already in place (but coming to an end) with Northgate Public Services rather than undertaking a procurement exercise to award a new contract. This notice is a legal requirement if the Council is to extend the contract, and once published in the OJEU a standstill period of 10 clear days (excluding public holidays) must be observed before any contract extension can be agreed and finalised.
- 9.2 If any challenges to the V.E.A.T. Notice are received by the Council during the standstill period then these must be responded to by the Council before the contract extension can be entered into.
- 9.3 Given the rationale behind the contract extension it is unlikely that any successful challenge could be brought, since any other provider who may be able to provide the postal scanning and delivery service would be unable to do so in a fashion that full integrated with our other existing systems, and thus cost and other service implications would mean that a potential challengers prices and service would not be successful in the event of a full procurement exercise having been undertaken.

10. FINANCIAL IMPLICATIONS

- 10.1 The initial contract from 1 December 2010 was based on a volume of 400,000 documents per annum at 12p per document and 25,000 financial transactions at 25p per transaction.
- 10.2 In addition, other costs are incurred for scanning and indexing non-standard size documents such as A1, A2 and OA maps for Planning, the cost of returning certain valuable documents such as passports, birth certificates etc. and for the storage and secure destruction of the original documents at the end of the retention period, which is three months. A budget of £5,000 per annum was originally allowed for this, which was subsequently increased by a further £8,900 to £13,900 when in the early days it was realised that these costs were more than originally expected.

10.3 Consequently, the annual revenue costs of the contract could be summarised as:

<u>Function</u>	<u>Annual Volume</u>	<u>Annual Cost</u>	<u>Five Year Cost</u>
Document Scanning and Indexing	400,000	£48,000	£240,000
Financial Transactions	25,000	£6,250	£31,250
Additional Costs		£13,900	£69,500
Totals for contract		£68,150	£340,750

10.4 For the first two years of the contract, the volumes processed were very close to the contracted numbers of 400,000 documents scanned and indexed and 25,000 financial transactions.

10.5 However, during the last three years of the contract, there has been a steady decline both in the number of documents being scanned and indexed and the number of financial transactions processed. In the last year, the number of documents scanned and indexed has reduced to around 300,000 and as few as 9,000 for the number of financial transactions.

10.6 This is due to the Council's objective to encourage more on-line transactions and reporting and the wide range of electronic payment methods now provided by the Council, and which is consistent with the national trend in the reduction of the use of cheques.

10.7 These reductions in volumes give the Council the opportunity to reduce the costs of the next contract.

10.8 The Government has recently introduced an initiative to target and carry out more Housing Benefit interventions, which will mean more documents having to be scanned and indexed. Officers are working on the assumption that these increases will offset any natural decrease in the number of documents received and therefore propose that the number of 300,000 should be retained for the first two years of the new contract and that this should reduce to 250,000 in year three.

10.9 A further reduction to 200,000 is suggested for the final two years of the new contract. By that time, further work will have been completed to provide more on-line transactions with a corresponding reduction in the number of documents received.

10.10 The reduction in volumes will mean an increase in the unit price because of the reduction in economies of scale, however this will result in a saving throughout the period of this contract compared with the first contract. The unit prices will be:

Volume	Unit Price
300,000	£0.14
250,000	£0.15
200,000	£0.16

10.11 It is proposed also that the number of financial transactions is reduced by 1,000 each year throughout the life of the contract.

10.12 For financial transactions, the proposal is to increase the unit price to 40p to reflect the reduction in volumes and keep this constant throughout the period of the contract.

10.13 The amount of additional costs has also decreased during the life of the contract and the budget required to cover these is now running at about £6,600 per annum.

10.14 Consequently, the costs of the new contract will be:

<u>Function</u>	<u>Annual Volume</u>	<u>Annual Cost</u>	<u>Five Year Cost</u>
Document Scanning & Indexing Year 1	300,000	£42,000	
Document Scanning & Indexing Year 2	300,000	£42,000	
Document Scanning & Indexing Year 3	250,000	£37,500	
Document Scanning & Indexing Year 4	200,000	£32,000	
Document Scanning & Indexing Year 5	200,000	£32,000	
Scanning & Indexing over five years			£185,500
Financial Transactions Year 1	9,000	£3,600	
Financial Transactions Year 2	8,000	£3,200	
Financial Transactions Year 3	7,000	£2,800	
Financial Transactions Year 4	6,000	£2,400	
Financial Transactions Year 5	5,000	£2,000	
Financial Transactions over five years			£14,000
Additional Costs		£6,600	£33,000
Totals for contract			£232,500

10.15 There is consequently a minimum saving of £108,250 in revenue costs over the life of the next five year contract, compared with the existing budget. This is a minimum as it is likely that the additional costs will reduce as the volumes reduce however for the purposes of this exercise a “worst case” has been assumed.

11. RISK IMPLICATIONS

11.1 Any outsourced contract will come with an element of risk, however Northgate Public Services as a company is a major player in the Local Government market and its Docs-on-Line service has increased its business in the last five years and now has 20 Local Government contracts for the provision of mail room services and carries out digitisation of documents for over 100 other customers including the NHS and Police Forces nationally (specifically finger prints).

11.2 The current contract has been conducted in an exemplary manner and there is no reason to suspect that this will not be the case should the contract be extended.

12. EQUALITIES IMPLICATIONS

12.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.3 The renewal of this contract will continue the effective manner in which in-bound mail is dealt with. The quality of service that is provided to residents of North Hertfordshire will remain. This will allow the council to effectively discharge its legal obligations and duties to those who share a protected characteristic(age, disability etc) and those who do not.

13. SOCIAL VALUE IMPLICATIONS

13.1 As the recommendations made in this report relate to the award of a public service contract, 'social value' must therefore be captured and reported in accordance with the Public Services (Social Value) Act 2012. However, the report clearly states that the current provider is the only one that can provide this specific service required for Council in-bound mail. There is not an opportunity to award it to a local company or measure any direct local social, economic or environment outcomes when procuring this service, without incurring costs.

13.2 However, the renewal of this contract seeks to reduce costs to the Council and the cost to residents of North Hertfordshire as outlined below. The renewal indirectly improves the area being served by the local authority by not increasing costs that could be borne by its residents. In this instance, there is additional economic, social or environmental value evident in the following areas:-

- The report states at 10.14 that a minimum saving of £71,000 in revenue costs over the five year to be made. This saving ensures the efficiency of council processes in regard to in-bound mail.
- The council would incur additional costs, in the region of £16,000, if it approached a new supplier to complete this work. An increase in costs may have to be passed onto taxpaying residents in North Hertfordshire.
- The increase in on-line transactions actively reduces the amount of paper used, therefore securing an environmental outcome.

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no Human Resource implications in this report.

15. APPENDICES

15.1 None.

16. CONTACT OFFICERS

16.1 Report Author: Howard Crompton
Head of Revenues, Benefits & IT
Email: howard.crompton@north-herts.gov.uk
Tel: 01462 474247

16.2 Contributors Antonella di Maria
Management Support Unit Manager
Email: antonella.dimaria@north-herts.gov.uk
Tel: 01462 474334

Jodie Penfold
Group Accountant
Email: jodie.penfold@north-herts.gov.uk
Tel: 01462 474332

Janis Wilderspin
Contracts & Procurement Lawyer
Email: janis.wilderspin@north-herts.gov.uk
Tel: 01462 474578

Reuben Ayavoo
Policy Officer
Email: reuben.ayavoo@north-herts.gov.uk
Tel: 01462 474212

Fiona Timms
Performance & Risk Manager
Email: fiona.timms@north-herts.gov.uk
Tel: 01462 474251

Rachel Cooper
Payment & Reconciliations Manager
Email: rachel.cooper@north-herts.gov.uk
Tel: 01462 474606

17. BACKGROUND PAPERS

17.1 Report to Cabinet 27 July 2010.