

**CABINET
18 DECEMBER 2018**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: OUTBOUND MAIL CONTRACT

REPORT OF: SERVICE DIRECTOR - CUSTOMERS

EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 To seek approval under rule 28.9 of the Council's Contract Procurement Rules to enter into a variation of the Inbound Mail contract with Northgate Public Services to also include the provision of an Outbound Mail service.

2. RECOMMENDATIONS

- 2.1 That Cabinet is recommended to approve the Variation of Contract with Northgate Public Services for the provision of an Inbound Mail Contract to also include an Outbound Mail service, initially until December 2020 with an option to extend to December 2023.
- 2.2 That the position relating to the on-going operation of the Document Centre be noted.
- 2.3 That the intention to extend the Inbound Mail Contract for three years be noted.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To achieve revenue savings of around £78,000 per annum and the variation is necessary to achieve new ways of working to ensure the Council meets its priority to deliver cost effective services.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council does have the option to choose not to enter into this contract, however that would mean that a saving of £78,000 would be missed.

4.2 Officers are recommending a change in the operation of the Document Centre as detailed in the part 2 report and Business Case.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 The Executive Member for Finance and IT has been consulted on this 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 1st November 2018.

7. BACKGROUND

7.1 The Council entered into an Inbound Mail Contract with its current supplier in December 2010. This was renewed in December 2015 for a further five years to run until December 2020.

7.2 The service consists of inbound mail being sent directly to the processing centre in Nottingham via a PO Box number and the post being scanned, indexed and filed into the Council's Information@Work Document Management System. The post then appears on the desktop of the relevant Officer or Team for action.

7.3 The Council's supplier of this service is Northgate Public Services (NPS) and both previous contracts have been awarded on a single supplier basis because NPS is the only provider that can put post directly into the Information@Work Document Management System as they are the owners of this and the only supplier with access to the relevant Application Program Interfaces (API's).

7.4 In 2010, the implementation of the Inbound Mail Contract brought about savings of £83,000 per annum.

8. RELEVANT CONSIDERATIONS

8.1 The Council has been investigating the implementation of an Outbound Mail Contract for some time. Delays have occurred due to changes in the management structure and considerations regarding the Document Centre. The further relevant considerations are set out in the Part 2 report and Business Case.

Inbound Mail Contract

8.2 Whilst researching the position for this report, it has come to light that there has been a significant reduction in the amount of inbound mail processed by NPS in the year December 2017 to 2018. In the eleven months to the end of October 2018, the number of images processed has been 157,437 against a contracted number of 250,000.

8.3 The contracted number is set to reduce to 200,000 for the final two years of the contract, and if the numbers continue to reduce, even that would probably be an excessive number.

- 8.4 NPS is willing to release the Council from its contractual obligation for the period December 2018 to December 2020 in return for a renegotiated contract for inbound mail for the period December 2018 to December 2023.
- 8.5 This would be based on a decreasing number of images each year during the life of the contract to reflect the fact that these are expected to continue reducing and will result in a revenue saving of around £13,000 against the charges that would have been for the period December 2018 to December 2020 had the existing contract remained in place.
- 8.6 As this would be a contract extension and the costs are being reduced, this is a decision that can be made by the Executive Member under delegated powers.

Outbound Mail Contract

- 8.7 Because of the intrinsic link between both inbound and outbound mail with I@W, it makes sense to align both contracts together.
- 8.8 The original intention was to enter into an outbound mail contract up to December 2020 when the inbound mail contract is due for renewal and to then align both together from that point onwards.
- 8.9 Whilst it is now the intention to extend the inbound mail contract to 2023 to make on-going savings, Officers would recommend that the outbound mail contract should still initially be to December 2020 and then further negotiated to December 2023, at which time the two can be aligned.
- 8.10 The primary reason for this is to enable the Council to have confidence that the number of outbound mail envelopes being sent is commensurate with the contract provision, given that it is expected that the numbers will reduce gradually year-on-year.

9. LEGAL IMPLICATIONS

- 9.1 Paragraph 28.8 of the Contract Procurement Rules sets out the circumstances in which variations to a contract can be authorised by an Executive Member:

Subject to the availability of budget funding, a Executive Member may authorise variations to a contract which:

- a) *adds more than 20% to the value of the contract for contracts up to £250,000; or*
- b) *adds more than 10% to the estimated value of the contract for contracts above £250,000 subject to a maximum value of £50k in respect of the variation; or*

c) in the case of urgency or unforeseen circumstances where works, services or goods are to be added to or deleted from the contract which are substantially different in scope;

d) results in minor changes to the contract terms or specification;

9.2 As the amounts involved exceed the permissible limit of paragraph 28.8 (it exceeds £50,000), paragraph 28.9 applies:

Any other variation must be agreed by Cabinet or be formally authorised under another delegated authority.

9.3 The contract variation is permitted under section 72 (b) of the Public Contracts Regulations 2015 because the value of the variation does not exceed 50% of the value of the original contract and a change of contractor cannot be made for economic and technical reasons. These reasons are primarily requirements around interchangeability and interoperability with existing software procured under the initial procurement.

9.4 Legal and procurement have advised that the Council publishes a Voluntary Ex Ante Transparency Notice (V.E.A.T. Notice). This would be published by the Council in the Official Journal of the European Union to provide transparency on the basis for the contract variation. The publication of this notice would provide more certainty on the interpretation of procurement law.

10. FINANCIAL IMPLICATIONS

10.1 The full financial implications are detailed in Section 4 of the Business Case.

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 provides mail room services to various degrees with over 20 Local Authorities.

11.2 The current inbound mail 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 to include outbound mail.

11.3 Although the Council will not be tendering for the outbound mail service, DSI Billing is a member of the GCloud10 - Digital Market Place Framework and NPS is a member of the ESPO Framework 390_18 Lot 1, 3 and 4 and the Crown Commercial Services Framework RM1042 Lot 5, indicating that they have been vetted by the Government for inclusion in these Framework agreements.

11.4 There is a risk in the decision to extend the scope of the contract without undertaking a competitive tendering exercise, however publication of the required VEAT Notice in the Official Journal of the European Union will materially reduce the risk of challenge.

12. EQUALITIES IMPLICATIONS

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.

12.2 The variation of the current contract to include the provision of outbound mail is a cost-effective proposal. The quality of service provided to North Hertfordshire residents is extended to both inbound and outbound mail. This allows 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 This is an extension to an existing contract and for the reasons outlined above no new procurement exercise will be undertaken. Therefore, no direct Social Value implications apply in this instance.

13.2 NPS does however take its social and environmental responsibilities very seriously and amongst many other things, does actively support the following:

- Employment & apprenticeship opportunities including sponsorship of the Northgate Public Services Academy
- The NPS Community Volunteering Scheme, where NPS staff do voluntary work in the community
- Fundraising initiatives
- Direct funding through community sponsorships

14. HUMAN RESOURCE IMPLICATIONS

14.1 Staff will be fully consulted regarding any changes to the Document Centre.

15. APPENDICES

15.1 See Part 2 report.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 None.