

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Date: 24/11/2021

Subject: Contract award for variable data printing services

Report author: Nicola Ellis, Assistant Director Resident Services

Responsible Director: Sharon Lea, Strategic Director for Environment.

Summary

The Council's current four year contract for variable data print services ends on 30 November 2021. This contract includes printing and mailing communications for several Council services, including revenues and benefits, housing and electoral services. Some of these services are currently going through a programme of transformation, with a focus on improved digital delivery. A new two year contract (with the option to extend for a further two years) is recommended to ensure short-term stability of service as this transformation is embedded and services' focus on Covid recovery.

The current contractor (Financial Data Management Ltd) has performed well throughout the contract and continues to actively support the council in the delivery of a wide range of business-critical services. As such, a direct contract award under the Postal Goods Services and Solutions Framework Agreement RM 6017 ("the framework" set up by Crown Commercial Services), to the existing supplier is considered to be the most efficient and economically advantageous solution. The new contract will be on the same terms and conditions as the current contract, where costs are incurred based on actual service volumes. This provides for the opportunity to reduce printing and mailing costs as the Council expands its programme of digitalisation across these service areas.

Recommendations

To award the contract for variable data print services to Financial Data Management Ltd, as a direct award under the Postal Goods Services and Solutions Framework, for a period of two years from 1 December 2021 to 30 November 2023, for a total value of up to £1.3m over two years.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The contract will deliver services to businesses within the borough through the printing and issuance of documentation, such as Business Rates bills for example
Creating a compassionate council	The contract will be used to issue documentation which supports residents in times of financial hardship, such as benefit notifications
Doing things with local residents, not to them	Documentation issued via this means will be reviewed as part of the service transformation, to ensure that it is accessible and meets resident need
Being ruthlessly financially efficient	The contract enables compliance with statutory requirements for the serving of notices for Council Tax, Business Rates and rental income, which are the key income streams for the Council
Taking pride in H&F	The contract award will ensure that the quality of printed data and corporate branding is maintained
Rising to the challenge of the climate and ecological emergency	The contract enables the Council to flexibly reduce spend as services are digitally transformed, reducing the need for paper documentation to be issued

Financial Impact

Charges relating to the contract are variable, based on actual service volumes (the proposed contract is on the same terms and conditions as the current contract). Average annual spend over the last three full financial years (i.e. the financial years covering the current contract period) has been approximately £650,000 with annual spend of £570,000 in 2020/21. Assuming no changes in average volumes, the total value of the proposed two year contract is in the region of £1.3m. It should be noted that significant transformation is underway across the services affected by this contract, including shifting communications to digital channels. It is expected that this will reduce the annual variable printing contract costs. However, there will be increased volumes in respect of electoral services due to the local election in May 2022. Budgetary savings arising from reduced contract costs will be considered as part of the Council's annual budget setting cycle. Budgets and costs of this contract are managed locally by the individual service areas.

Legal Implications

The Council requires these services to carry out a range of statutory functions.

The value of the contract means that it is a public services contract for the purposes of the Public Contracts Regulations 2015 (PCR). The advertising and competition requirements set out in the PCR need to be complied with. The framework under which these services are to be procured was advertised and let in accordance with the PCR and the use of this framework is compliant. It allows for either a direct award or a mini competition between suppliers. The need for this procurement to be undertaken quickly and cost-effectively, as well as the disruption of a change to the supplier justifies a direct award.

This is a high value contract under the Council's Contract Standing Orders. The award under a framework agreement which complies with the PCR is a permitted method of procurement; the requirements of CSO 19.1 have therefore been complied with.

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DETAILED ANALYSIS

Background

1. Hammersmith and Fulham Council requires the provision of a variable data print service. This service deals with printing and mailing communications to individual households or people, including council tax bills, summonses, rent statements and polling cards. It includes the transfer and formatting of data from council back-office systems into letter templates held by the contractor. The contract covers data management, printing, enveloping and mailing costs.
2. The current contract for variable data printing was awarded to Financial Data Management Ltd (FDM) in November 2017, for a period of four years (ending on 30 November 2021). Since then, FDM has continued to perform well and to

actively support the council in the delivery of a wide range of business-critical services.

3. The total estimated value of the new contract is expected to be in the region of £1.3m (£650,000 per annum).
4. The Council is currently delivering a number of programmes that look at transforming service delivery and moving to more digital channels. It is therefore anticipated that the volume of demand on this contract (and spend) will reduce over time.

Reasons for Decision

5. A direct contract award under the Postal Goods Services and Solutions framework to the existing supplier is considered to be the most efficient and economically advantageous solution. The previous contract award was made through the framework and a competitive tendering exercise was also completed. Some of these services that are affected by this contract are currently going through a period of transformation, with a focus on improved digital delivery. As such, a two year contract award to the current supplier will enable short term service stability as this transformation continues and services focus on Covid recovery.

Contract Specifications Summary

6. The specification is largely unchanged from the previous award in being the transfer and formatting of data from council back-office systems into letter templates held by the contractor. The contract covers data management, printing, enveloping and mailing costs.
7. It is recommended that the contract length is two years. The contract cost is based on actual volumes, providing the opportunity to reduce costs as transformation impacts are assessed and print volumes decrease.

Procurement Route Analysis of Options

8. The options available and considered were:
 - a) Carry out a fully compliant regulated procurement exercise for the service
 - b) Call-off from a suitable framework agreement for these services.
9. Both options were considered in full in previous procurement exercises and in 2017 it was established that the resource commitments needed for option (a) far outweighed the resources needed to re-procure through option (b). At that time procurement was completed through the framework with a mini competitive tendering process inviting the 20 potential suppliers to tender. This resulted in one tender being received from FDM Ltd.
10. Given the current position with uncertainty around future service requirements, limited timescales, and a requirement for service stability, it is recommended to

procure for a shorter term contract through a framework and directly award to the incumbent supplier.

Market Analysis, Local Economy and Social Value

11. In 2017 the Council ran a mini competition from the CCS framework RM1063. All suppliers available on the framework were invited to bid. Only one supplier submitted a tender response (FDM Ltd).
12. The contractor will deliver 10% of the value of the contract in social value and the value of this and progress on delivery will be reviewed at the end of each financial year. The contractor will be required to set their Social Value targets on the Social Value Portal and pay the relevant fees for monitoring and reporting based on the contract spend.

Risk Assessment and Proposed Mitigations

13. There is significant risk to the Council in not making this direct award as continuity of service needs to be ensured so that the Council can continue to issue documentation that it has a statutory requirement to do. An example is documentation in respect of Council Tax and Business Rates billing and recovery. This would affect the Council's ability to collect and recover income and significantly impact the Council's reputational and financial position.
14. A direct award from a framework to the incumbent supplier is the only option at this time to prevent this risk and to avoid implementation costs. The Council would not be able to move to a new supplier or carry out a procurement exercise at this time as work on annual billing for 2022/23 is due to commence in the next few weeks.
15. This direct award is a call-off from an existing framework, negating the risk of legal challenge.

Timetable

16. The decision is expected to be taken by the Cabinet Member for Finance and Commercial Services on 29th November 2021. The contract will start on 1 December 2021 and terminate on 30 November 2023.

Selection and Award Criteria

17. The call off is awarded via direct award to the most economically advantageous supplier on the framework.
18. Social Value will be delivered in line with the Council's policy.
19. The award is made to FDM as they are the most economically advantageous supplier. Moving to another supplier would incur set up costs and would involve a period of implementation which would prevent continuity of service and have financial implications.

Contract Management

20. Each service area will have different requirements from the contract and will establish the required outcomes with the supplier on a service by service basis as they do currently.

Equality Implications

21. There are no equality implications.

Risk Management Implications

22. The report recommends calling off a competitively procured framework to make a direct award for this essential contract. This is in line with the Council objective of being ruthlessly financially efficient. As outlined in the report, this contract is necessary to ensure that formal communications are sent to residents and businesses in a timely manner, often in line with statutory deadlines and timescales. Failure to have the contract in place could result in lost or delayed income or recovery action being taken.

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel: 07817 507 695.

Climate and Ecological Emergency Implications

23. The Council has a commitment to reduce the issuance of documentation in paper format and to increase digital use. The short term award to the incumbent supplier supports that direction of travel.
24. As part of phase 1a of REAP the Revenues and Benefits service are introducing E billing and E notifications. As part of the implementation the reduction in printing will be monitored and the trajectory of reduction will be forecast ongoing. This will apply to all services as they go through REAP and associated programmes. There is a financial target within REAP phase 1a to deliver reduced printing costs and this will be delivered by reducing print volumes.
25. As this is a direct award to an incumbent supplier and needs to be concluded quickly to minimise significant financial risk, opportunities to work with the supplier to minimise climate implications are at this stage focussing on the reduction of volumes and use of the contract. However, the climate impact will be reviewed in more detail and considered with the supplier in order to exploit opportunities. The climate implications checklist will be completed to facilitate this.

Implications verified by: Hinesh Mehta Strategic Lead tel:07960 470125

Local Economy and Social Value Implications

26. Commissioners have engaged with the supplier to explain the requirement of the Social Value Strategy, with the support of the Social Value Officer. The contract value is based on estimates; therefore, the contractor will be asked to submit the 10% Social Value requirement based on the spend at the end of each financial year. The contractor agreed to set their Social Value targets on the Social Value Portal and pay the relevant fees for monitoring and reporting based on the contract spend.
27. This contract spans several service areas across the Council, each being responsible for monitoring spend against their individual budgets. As such, there is not one single project lead or commissioner to monitor the total contract spend. It is advisable that the Social Value Officer liaises with departmental finance teams at the end of each financial year to assess the spend up until that point, so the contractor will submit 10% social value commitments based on that year spend.
28. It is recommended the current Commissioner work closely with Legal Services to ensure appropriate social value clauses are included in the contract, so that the Council can enforce its right to compensation if social value commitments are not delivered.

Implications completed by: Ilaria Agueci, Social Value Officer (0777 667 2878)

List of appendices:

None