

CABINET MEMBER DELEGATED DECISION 22 JULY 2020

Report title: Incoming and Outgoing Mail Contract Variation

Wards: All

Portfolio: Cabinet Member for Finance and Performance: Councillor Maria Kay

Report Authorised by: Bayo Dosunmu, Strategic Director, Resident Services

Contact for enquiries: Andrew McCabe, Business Analyst, ICT Contracts Team (Resident Services) 0207 926 1449, amccabe@lambeth.gov.uk

Report summary

On 19 January 2017 Cabinet Member approval was secured to enter into four-year contracts with Canon (UK) Ltd to provide an incoming and outgoing mail service. The incoming mail service with an estimated value of £931,000 and the outgoing mail service with an estimated value of £987,000.

This report seeks approval to increase the estimated contract value for incoming mail from £931,000 to £1.359m and for outgoing mail from £987,000 to £1.411m, for the remainder of the contract period to 31 May 2021, and to allow the option for both contracts to be extended for a further two years as specified for under the original terms of the Crown Commercial Services Framework RM1063 (Postal goods and Services) under Lot 3 for outgoing hybrid mail services and Lot 7 for off-site digital inbound mail services at a cost of £1.385m bringing the new total value of the contracts (including optional extensions) to £4.153m.

Finance summary

The variation is for a total of £428,000 for the incoming mail contract and £424,000 for the outgoing mail to cover costs that were not accounted for when the contracts were tendered.

The incoming and outgoing mail services are demand led services and the costs are recharged to the business according to current practices.

Recommendations

1. To approve the variation of Incoming Mail contract with Canon (UK) Ltd by £428,000 from a current contract value of £931,000 to an estimated contract value of £1.359m until the expiry of the initial term of the contract on 31 May 2021.
2. To approve the variation of Outgoing Mail contract with Canon (UK) Ltd by £424,000 from a current contract value of £987,000 to an estimated contract value of £1.411m until the expiry of the initial term of the contract on 31 May 2021.

Reasons for Exemption from disclosure

The accompanying part II report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

Paragraph Three: Information relating to the financial or business affairs of a particular person (including the authority holding that information).

1. CONTEXT

- 1.1 On 19 January 2017 a Cabinet Member decision was taken to enter into contracts with Canon (UK) Ltd to provide an incoming mail service for an estimated value of £931,000 and an outgoing mail service for a value of £987,000 for the period from 1 June 2017 to 31 May 2021.
- 1.2 The Council has committed expenditure to date of £739,000 against the contract for incoming mail and £984,000 for outgoing mail.
- 1.3 Approval is now required to increase the estimated contract value of the incoming mail contract from £931,000 to £1.359m and the outgoing mail contract from £987,000 to £1,411m.
- 1.4 The proposals and recommendations also align with Future Lambeth: Our Borough Plan 2016-2021 vision for inclusive growth by progressing the digital by default agenda.

2. PROPOSAL AND REASONS

- 2.1 The Council entered into contract with Canon (UK) Ltd to provide an Outgoing Mail service. The cost of the contract was estimated according to an assumption that the council would send 315,000 post items each year. In the 2018/19 financial year the council sent 550,000 post items, which has caused a much larger spend on the contract than had been anticipated. This incorrect estimation occurred because the original tender did not account for post items that were paid for as part of the reprographics portion of the earlier Swiss Post Solutions contract.
- 2.2 The Council entered into contract with Canon (UK) Ltd to provide an Incoming Mail service. When Omnidox, the digital system for processing and allocating incoming post, was implemented it was found that the solution was not adequate for the council's requirements. The solution allowed all users to view any post items. This meant it did not provide the level of security and privacy that was necessary for the council, and the council required the supplier to modify the system to fit these specifications at a cost of £77,000.
- 2.3 After the incoming mail solution was implemented additional services were found to be required from the supplier in order to fulfil the council's requirements. This included daily physical deliveries of items to the council's offices, additional handling for items sorted outside of the usual procedures, the retrieval of items that had been placed into storage and the maintenance of a series of logs recording mail items that the council receives.
- 2.4 Physical deliveries from the processing facility in Winchester to the council's office were initially provided by the supplier at an interim cost of £159 per delivery. The interim price was below the cost to the supplier for providing the service. This cost has increased from the 1 January 2020 to a cost of £362 per delivery, bringing the price in line with the cost to the supplier. This increases the total contract cost by £137,000.
- 2.5 Items that were sorted outside of the usual process, and therefore outside of the scope of the original contract, have been handled at an interim cost to the council of £0.10 per item up until 1 January 2020. From this date each item incurs a £0.45 charge which will result in an estimated additional cost to the council of £54,000 per year.
- 2.6 Under an interim agreement, items that had been placed into storage have been retrieved at no cost to the council. From 1 January 2020 this will incur a cost of £7.50 per item which will result in an estimated additional cost to the council of £10,800 per year.

- 2.7 Seven catalogues have been maintained by the supplier recording the mail items received by certain business areas at no cost to the council under an interim arrangement. From 1 January 2020 this will incur a cost to the council of £34,000 per year.
- 2.8 When the council's incoming mail system was implemented it was found that considerably more deliveries of physical post items from the processing centre in Winchester were necessary than had been anticipated during the tendering process.
- 2.9 The number of sheets of paper that would need to be scanned was estimated during the tender process, this estimate was found to be much lower than the true value resulting in a greater spend than had been anticipated.
- 2.10 The proposal to increase the contract value of the incoming mail contract from £931,000 to £1.359m and the outgoing mail contract from £987,000 to £1.411m allows for business requirements and projects to have uninterrupted supply of these services, ensuring business continuity and compliance.
- 2.11 The incoming and outgoing mail services are required by the council in order to fulfil its statutory obligations. We are within contract with Canon (UK) Ltd for the provision of these services. No other option is available to the council, at this time, other than the proposed variation of the current contract with Canon (UK) Ltd.
- 2.12 The terms of the Crown Commercial Services (CCS) framework R1063 (Postal goods and Services) includes an option to extend the contracts for incoming and outgoing mail services after the expiry of the contracts on 01 June 2021 for an additional two years to 31 May 2023. This option was not presented in the earlier Gateway documents but is available under the terms of the agreed contract.

3. FINANCE

3.1

Are savings envisaged for this contract	No
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- 3.2 Competition exercises were carried out during the original Crown Commercial Services competitive tender to ensure that the contracts give value for money.
- 3.3 There are no capital implications arising as a direct result of these proposals.
- 3.4 The incoming and outgoing mail services are demand led services and the costs are recharged to business areas according to current practices.
- 3.5 The total proposed value of £1.359m for the incoming digital mail service contract with Canon (UK) Ltd compares favourably against the prior contract with Swiss Post Solutions. The average annualised cost including implementation for the contract with Canon (UK) Ltd is £340,000 and the annual fixed costs for mail services with Swiss Post Solutions was £498,000.
- 3.6 The costs for the provision of the outgoing mail service contract with Canon (UK) Ltd are not comparable with the prior contract with Swiss Post Solutions as the new contract includes bulk

mailings that were previously paid for out of the reprographics portion of our contract with Swiss Post Solutions.

- 3.7 The proposed variation will result in projected costs of £573,000 for incoming mail and £365,000 for outgoing mail. This will cover the remaining 14 months of the contract, after the end of this financial year. In the new financial year 2020/21, the projected costs are expected to be £491,320 for incoming mail and £312,748 for outgoing mail. The incoming mail cost for the year represents a substantial increase of £214,284 or nearly 80% above the average to date. This increase is due to the increased costs of physical delivery of items from Winchester as well as the inclusion of out of scope items.
- 3.8 Both incoming and outgoing mail costs are currently recharged to service departments based on usage, so the increased costs will be borne by individual service budgets based on their level of usage.

4. LEGAL AND DEMOCRACY

- 4.1 The council has delegated the authority to enact this report’s recommendations to the Cabinet Member for Finance and Performance in consultation with the Leader.
- 4.2 The Public Contracts Regulations allow for the modification of contracts without a new procurement procedure where, due to circumstances which a diligent contracting authority could not have been predicted, additional services have become necessary and where a change of contractor cannot be made for technical reasons such as requirements of interchangeability or interoperability with existing equipment without causing significant inconvenience or substantial duplication of costs for the contracting authority. The modification must not alter the overall nature of the contract and any increase in price must not exceed 50% of the value of the original contract.
- 4.3 This proposed key decision was entered in the Forward Plan on 4 February 2020 and the necessary 28 clear days’ notice has been given. In addition, the Council’s Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 The following consultations have taken place:

Stakeholders	Interest	Action
Cabinet Member for Finance and Performance	Approval of Variation to Contract	
Contract Management Team	Performance Management	Drawn upon the procurement experience of the ICT contract management team in the drafting of the delegated decision report.
Head of ICT	Operations Management and Risk Governance.	Discussion held regarding the contracts, requirements and background.

6. RISK MANAGEMENT

Item	Risk	Likelihood	Impact	Score	Control Measures
1	Further increases in the volume of post the council sends lead to increased expenditure	2	4	8	The council will work in collaboration with Canon to closely monitor post volumes and work together to reduce the amount of paper post we send. An appraisal has been made of the post volumes that the council sends and the future cost projection is based on this analysis.
2	Further increases in the volume of post the council receives causing increased expenditure	1	4	4	The council is moving towards making digital solutions available to allow residents to correspond with us without sending paper post. Therefore future contractual costs may fall as a consequence of making digital solutions available to residents.
3	GDPR	4	1	4	Canon is GDPR compliant and have provided the council with their business privacy notice.
4	Brexit	4	1	4	Canon has accounted for the risks associated with Brexit in their business continuity plan.
5	COVID-19 Outbreak	4	4	16	Canon and both subcontractors Oasis Group and Docmail have provided the council with statements on managing the outbreak and have plans in place to continue providing the service in the instance of considerable staff absenteeism. The council is unable to receive as many deliveries during the outbreak which has reduced the cost of the service during the lockdown period.
6	Supplier Financial Resilience	1	8	8	Dunn and Bradstreet check has been carried out and details of supplier's insurance examined.
7	Business Continuity	1	8	8	Canon have provided the council with a copy of their business continuity plan

Key

Likelihood	Very Likely	4	Likely	3	Unlikely	2	Very Unlikely	1
Impact	Major	8	Serious	4	Significant	2	Minor	1

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 An initial screening of equalities impact assessment for the procurement of incoming and outgoing mail services was undertaken before the decision was taken to enter into the contracts on 19 January 2017. This initial screening found the procurement had a low relevance to equality and that a full assessment was not required.

8. COMMUNITY SAFETY

- 8.1 There are no implications under the Crime & Disorder Act 1998, Section 17.

9. ORGANISATIONAL IMPLICATIONS

Environmental

- 9.1 Canon (UK) Ltd is accredited for the Environmental Management System standard ISO 14001.

Canon (UK) Ltd partners with Oasis Group to provide the incoming mail service. Oasis Group minimises the impact of transporting goods by road by actively encouraging the use of a scan service reducing the need for transportation of physical mail, utilising a fuel efficient and well-maintained vehicle fleet, and by planning fuel efficient journeys to customers' premises.

Canon (UK) Ltd partners with CFH Docmail Ltd to provide the outgoing mail service. CFH Docmail Ltd have achieved accreditation with the Forestry Stewardship Council and the Programme for the Endorsement of Forest Certification. CFH Docmail Ltd have also initiated a joint venture with the Woodland trust called Toptree which facilitates tree planting in the UK which helps to offset carbon released into the atmosphere.

All paper media is shredded and recycled by a licensed security waste recycling company for both the incoming and outgoing mail service.

Responsible Procurement

- 9.2 This procurement exercise was carried out before the introduction of the Responsible Procurement policy requirements. Officers have gained assurances from the supplier that they comply with the policy wherever possible.

Good Quality Jobs With Fair Pay and Decent Working Conditions

Canon (UK) Ltd pays all employees at least the minimum wage and employees living in London receive the London Living Wage at a minimum.

Quality Apprenticeships, Targeted Employment for Lambeth Residents and Lambeth Priority Group

As this procurement was carried out before the introduction of the responsible procurement policy, Canon (UK) Ltd do not offer targeted employment for Lambeth residents.

Reduced Emissions

Canon (UK) Ltd has a sustainability strategy, they have achieved an EcoValdis Gold rating and follow a 'Produce, Use, Recycle' approach to sustainability. Canon (UK) Ltd also maintain an ISO 14001 Environmental Management accreditation and set carbon reduction targets and leverage Life Cycle Assessment methodologies.

Single Use Plastics

Canon (UK) Ltd are working to reduce waste at their operational sites by pursuing 'product-to-product' recycling providing a framework that encourages resources to be circulated continuously.

Positive Health and Wellbeing

Canon (UK) Ltd are not accredited with the London Healthy Workplace Charter or equivalent. They are working towards signing the Time for Change Employers Pledge. Canon (UK) Ltd provide support to their employees by training Mental Health First Aid Champions and has introduced mandatory Mental Health Awareness training as part of their management training programme.

Staffing and accommodation

- 9.3 The staffing and accommodation requirements were presented at the time of the substantive procurement. The requirements have not changed since report was approved. Canon (UK) Ltd complies with the Modern Slavery Act (2015), this included a Whistle Blowing Policy for permanent and temporary workers as well as contractors providing protection for employees making disclosures.

Procurement

- 9.4 Cabinet Member approval was secured on 19 January 2017 to enter into contracts with Canon (UK) Ltd to provide and incoming mail service and an outgoing mail service.

Health

- 9.5 Canon (UK) Ltd has been evaluated for their compliance with best practice Health and Safety standards as part of the evaluation undertaken by (CCS).

10. TIMETABLE FOR IMPLEMENTATION

10.1

Activity	Proposed Date
Submit to Procurement Board Administrator	29 April 2020
Procurement Board date	5 May 2020
Decisions Online	12 May 2020
Contract Extension Approval	19 May 2020

AUDIT TRAIL

Consultation				
Name/Position	Lambeth directorate / department or partner	Date Sent	Date Received	Comments in paragraph:
Councillor Andy Wilson	Cabinet Member for Finance and Performance	29.05.20	05.06.20	-
Councillor Jack Hopkins	Leader of the Council	06.07.20	14.07.20	
Bayo Dosunmu Strategic Director Resident Services	Resident Services	05.03.20	21.04.20	-
Kari Manovitch Director of Residents Experience & Digital	Resident Services	21.04.20	21.04.20	-
Andrew Ramsden Assistant Director Finance	Finance and Investment	29.05.20	04.06.20	3.8
Leena Khatri Sustainability	Sustainable Growth and Opportunity	29.05.20	01.06.20	-
Maqsood Sheikh Finance	Finance and Investment	10.01.20	06.02.20	3.7, 3.8
David Thomas, Legal Services	Legal and Governance	13.01.20	13.01.20	4
Maria Burton, Democratic Services	Legal and Governance	10.01.20	15.01.20	4

REPORT HISTORY

Original discussion with Cabinet Member	February 2020
Report deadline	N/A
Date final report sent	N/A
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	04.02.20
Key decision reasons	2. Expenditure, income or savings in excess of £500,000
Background information	Cabinet Member Delegated Decision Report
Appendices	None

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board, and taken account of their advice and comments in completing the report for approval:

Signature: _____ **Date:** _____

Post: Andrew McCabe, Business Analyst

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ **Date:** _____

Post: Councillor Maria Kay, Cabinet Member for Finance and Performance

Any declarations of interest (or exemptions granted): None

Any conflicts of interest: None

Any dispensations: None