

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

3615

Author:

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Department:

Commercial and Operations

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Subject:

Hybrid Mail Solution

Total Value:

£611,000 (Type: Revenue)

Decision Being Taken:

- 1.To award a contract to Nottinghamshire County Council (NCC) to provide a hybrid mail service.**
- 2.To approve dispensation from Financial Regulation 3.29, Contract Procedure Rule 5.1.2, for the reasons set out in this report to award the contract to NCC.**

Reasons for the Decision(s)

Building Services manages the mail operation on behalf of NCC, which includes approximately 1million items of outgoing mail annually, and an associated total operational cost of approximately £580,000. Cost reduction initiatives have already been delivered in 2017/18 of approximately £80,000.

Significant additional cost reduction is achievable through delivering a 'hybrid mail solution' - In this model, colleagues still create their letters ('outgoing mail') but rather than printing them off, placing them in envelopes and putting them in the pigeon holes awaiting collection by the mail team, they are sent to a centralised server. From there, they are printed, enveloped and franked by the centralised team.

Building Services recommends transferring this activity to Nottinghamshire County Council, to work in partnership with them to deliver a hybrid mail solution. This is option 3 from the options outlined below.

An additional option, Gov.com Notify (option 5), has been given additional scrutiny as a potential solution. However it is not adequately developed at this stage to meet our needs, but will be reviewed again in 12-18 months' time, and if deemed a stronger solution than hybrid mail, mail volume will be transferred to Notify in a phased manner in the future.

Full implementation of the initiative is forecasted to deliver an annualised saving to us of between £100k and £150k. This will be achieved in a phased manner, with approximately £50,000 - £70,000 delivered in 2019/20, dependent on business case sign off and implementation timetable.

Of the various options available to deliver this solution, (in house, subcontracting to a private company or partnering with another local authority) Building Services recommends transferring this activity to be undertaken in partnership with Nottinghamshire County Council. The rationale for this recommendation is threefold:

<!-1. Fastest route to achieving cost reduction targets - lowest cost option, fastest implementation timescale and partnership approach to further growth.

<!-2. Lowest risk option - they have a successful track record of delivery over 4 years, fully understand the local government environment, and have onboarded several new clients

<!-3. Retains the spend within the Nottingham public sector - continues to support our community rather than diverting our spend towards private companies and their shareholder focus.

Following go-live with the hybrid solution, additional areas of scope should be deliverable from expanding the service to other 'Council partners' such as Revenue and Benefits, EMSS, Enviro Energy and Nottingham City Homes.

Briefing notes documents:

Business Case Hybrid Mail V5 - 21-05-19.docx

Other Options Considered:

Five options have been comprehensively reviewed as part of the business plan process as follows;

1. 'Do Nothing' option (i.e. remain 'as is') - REJECTED no savings can be achieved.
2. 'Do it Ourselves' option (i.e. an in-house solution, with hardware and support from Neopost or Pitney Bowes) - REJECTED as outlined in the business case, significant investment required return of only c£45k savings per year.
3. 'Transfer to Nott's County Council' option (i.e. partnership with local authority solution) - PREFERRED OPTION
4. 'Outsource to third party*' option' (i.e. an offsite private sector solution) (e.g. DSI) - REJECTED as outlined in business case, potential of only 30% uptake with an annual saving c£30k
5. 'Gov.uk/notify' - REJECTED as outlined in the business case solution is not sufficiently developed and may not meet our needs, 12 - 18 months before implementation.

Background Papers: None.

Published Works: None.

Affected Wards: Citywide

Colleague / Councillor Interests: None.

Any Information Exempt from publication: Yes

Dispensation from Financial Regulations: Yes

Exempt Information:

Description of what is exempt: Financial information.

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The

public interest in maintaining the exemption outweighs the public interest in disclosing the information because the information is commercially sensitive in relation to financial information which could impact future business of the council.

Documents exempt from publication: Hybrid Mail Financial Options May 2019 KF - NOT FOR PUBLICATION.pdf

Consultations:	Those not consulted are not directly affected by the decision.
Crime and Disorder Implications:	None.
Equality:	EIA not required. Reasons: This decision does not relate to a new or existing policy, service or function.
Any implications affecting IT:	Yes
Relates to Building Services:	Yes
Decision Type:	Portfolio Holder
Subject to Call In:	Yes
Call In Expiry date:	16/08/2019
Advice Sought:	Legal, Finance, Procurement, IT, Property, Building Services
Legal Advice:	<p>This report requests authority to contract with Nottinghamshire County Council which offers a hybrid automated mail system for sorting and posting the City Council's mail. Contracts for Postal services are subject to the Public Contracts Regs 2015 but are included in the 'light touch' regime which enables contracts to be awarded for a value up to £615,278 without a competitive tender.</p> <p>On that basis the dispensation is supported provided the report author is able to demonstrate the City Council will receive value for money.</p> <p>The requirement for the service to prepare a Data Protection Impact Assessment for this contract is agreed.</p> <p>Advice provided by Andrew James (Team Leader Contracts and Commercial) on 22/01/2019. Advice provided by Andrew James (Team Leader Contracts and Commercial) on 21/06/2019.</p>

Finance Advice:

Finance will support the decision for dispensation from Financial Regulations.

A full options appraisal has been completed in line with the Business Case for Hybrid Mail. The option that delivers the maximum savings is the partnership with Nottinghamshire County Council, which is also the preferred option. Full years savings amount to £150,000 in 2019/20, increasing to £169,000 in 2021/22

The implementation, however, is based on out-going mail only, with an estimated uptake of 40% of mail being delivered via the new joint solution. Therefore the savings for 2019/20 are approx. £67,500, further reducing depending on implementation date.

These savings are linked to previous MTFP savings within Facilities and Building Services, therefore reducing a current year pressure.

This decision is based on savings coming out of budgets which are allocated to 'Property Services' and are therefore not directly owned by Commercial & Operations.

A full breakdown of the costs is included within an exempt finance options paper.

Advice provided by Meagan Milic (Commercial Business Partner) on 02/04/2019, and again on 27/06/2019.

Procurement Advice:

The proposal is a request for a dispensation from contract procedure rule 5.1.2. The dispensation is requested due to the cost savings that will be realised as a result of this model and, therefore, provides a value for money solution.

Given the reasons for this dispensation and the associated value, which falls below the Light Touch Regime OJEU threshold, there are no significant concerns with this proposal.

Advice provided by Lauren Wheatcroft (Procurement Officer) on 17/01/2019, and again on 22/05/19.

IT Advice:

The IT Service supports the proposal made in this delegated decision.

It will be necessary for the IT Service to work with the service, the supplier and Nottinghamshire County Council to confirm the required IT architecture to support the proposal which will potentially add additional cost, for example, additional servers for resilience, additional network capacity, and any IT Service project time to configure the solution.

The data security and resilience of the service will also require assessing. These costs will be identified and developed through the project's planning process.

A Data Protection Impact Assessment should be carried out for this project as, potentially, personal and sensitive data will be transported using Internet Protocols and will be accessed and printed by a third party.

Advice provided by Paul J. Burrows (IT Change, Projects & Strategy Manager) on 17/01/2019.

IT Advice confirmed 23 May 2019.

Property Advice:

The Council's Workplace programmes has been successful in both rationalising sites and consolidating a number of building and FM budgets. This has resulted in Loxley House becoming the Council's Postal Hub and opportunities exist to streamline this operation.

The long-term trajectory for traditional postal services has and is anticipated to fall, particularly with digital developments. However, there are opportunities to introduce more immediate cost and efficiency saving initiatives that the Hybrid Mail solution provides.

The proposal includes a phased approach to the "roll out" of the Hybrid Mail solution that will test the assumptions concerning savings and potential increase of scope. It is understood that Building Services will meet the project management costs of the project "roll out"; however, the potential IT costs are currently unknown and therefore not addressed in the Business Case in respect to funding assumptions.

The attributable cashable savings arising from the Hybrid Mail will be monitored in respect to the impact upon the Loxley House budgets.

The proposed Hybrid Mail solution supports the Council's partnership approach and commitment to reduce building operating costs as outlined in the Corporate Asset Management Plan.

The solution should provide transparency information on actual postage usage generated by individual Services that will aid both budget management and service charging.

Advice provided by Tanya Najuk (Head of Strategic Asset Management) on 07/02/2019, and confirmed on 26/06/2019.

Building Services Advice:

I fully support this proposal.

Delivery of this hybrid mail solution for outgoing mail is a strategic initiative which will improve customer experience, operational efficiency and significantly reduce the cost of the mail operation. The initiative has been included in the 2018/19 and 2019/20 business plans for Building Services and is key to delivering the budget targets for the department.

Five options have been thoroughly reviewed and a preferred option identified.

The preferred option to achieving hybrid mail has 3 key benefits:

- (1) it is the lowest cost and fastest route to implementation;**
- (2) the partner has a track record of delivering this within a local authority environment;**
- (3) retains the 'spend' within the Nottingham community - rather than being diverted to private companies and their shareholder focus.**

Advice provided by David Nigel King (Head of FM and Building Services) on 09/01/2019. Advice provided is still appropriate.

In addition, the potential additional option, Gov.Notify, has been reviewed and agreed that hybrid mail option should proceed without further delay. David King 29/05/2019

Signatures

Sally Longford (PH for Energy, Environment and Democratic Services)
SIGNED and Dated: 08/08/2019
Andy Vaughan (Corporate Director Commercial and Operations)
SIGNED and Dated: 08/08/2019
Laura Pattman (Strategic Director of Finance) - Dispensation from Financial Regulations
SIGNED and Dated: 07/08/2019
Chief Finance Officer's Comments: