

## **Hybrid Mail – Contract Award**

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**Portfolio:** Governance, Technology and Innovation

**Ward(s) Affected:** All

### **Purpose of the Report:**

This report sets out the background and rationale for the award of a new hybrid mail contract for South Norfolk Council

### **Recommendations:**

Cabinet is asked to:

1. Agree to award a three-year contract, with the option to extend by two years, for the hybrid mail provision for South Norfolk Council to Supplier A

### **1. Summary**

- 1.1 A hybrid mail provision enables us to send a range of customer correspondence effectively, securely, and efficiently to a print service who will print and post the correspondence to our customers on the Council's behalf. This system reduces the council's production and print costs.
- 1.2 South Norfolk Council's current hybrid mail solution is not covered by a contract with the provider. To reduce the risk of operating without contractual agreements and to move us to a more financially favourable position, ensuring value for money we issued an Invitation to Tender for the hybrid mail provision.

- 1.3 Bidders were invited to tender for both the South Norfolk Council and Broadland District Council contracts, via an open tender for an initial three-year contract (with a potential for a one year + one year extension).
- 1.4 The manual post issued by through the councils' 'in-house' post room is not included in this tender although the nature of the contract will allow us to migrate from manual post issued 'in house' to a hybrid mail solution as we transform service provision to deliver better customer experience and further reduce costs.
- 1.5 The cycle for annual billing meant that it was not possible to include the 2023/24 annual billing in the first year of the contract, so this included that from 2024/25 onwards.
- 1.6 Whilst the catalyst for this change is to mitigate the risk of not having a contract, we anticipate increased usage going forward creating greater potential to make efficiency savings.

## **2. Background**

- 2.1. Our transformation agenda has a core strategic aim focused on delivering First-Class Customer Service that is effective, responsive, and efficient enabling the Council to better manage increasing demand within existing budgets and resources. An enabler to achieving this strategic aim is to consider new and emerging digital technology in the way we design and deliver our services where it's appropriate to do so.
- 2.2. South Norfolk Council and Broadland District Council currently use two different hybrid mail providers. Both currently provide the services on a 'pay as you go' basis and there is no contract in place with either provider. This exposes both Councils to the following:
  - operational risk because there is no contract to refer to should there be a disruption to service.
  - potential legal challenge as no proper procurement process was ever undertaken.
  - paying more for services than we would if we had a negotiated contract in place.
  - inefficiencies from staff using two different systems and therefore not unlocking the benefits of One Team ways of working
  - not benefiting from latest industry innovation to help us meet transformation and budget saving ambitions
- 2.3. The One Team currently sends approximately 210,000 documents per annum through the existing hybrid mail provision (excluding the annual billing runs). However, there is a vision to increase this by up to 50% as we continue to transform both our systems and services and move away from more expensive manual post.

- 2.4. In addition, the One Team sends an approximately 162,000 documents per annum through our existing hybrid mail solutions as part of our planned annual billing runs.
- 2.5. To ensure continuity of service and meet operational requirements we agreed a contract start date of 1 April 2024. This means that Annual billing run is not included in the contract in Year 1 (2023/24) however, it is included within the contract from Year 2 (2024/25) onwards
- 2.6. Using a hybrid mail provision is considered essential, not only because it's cheaper solution than using manual post but because it also aligns with both councils' priority of protecting and improving the natural environment though the sustainability and environmental policies.
- 2.7. A key consideration of our procurement process, although not the only consideration, was to
  - reduce the risk of operating without contractual agreements
  - place us in a more financially favourable position
  - release operational efficiencies
  - benefit from latest industry innovation

### 3. Current position/findings

- 3.1. Bidders were invited to tender for both South Norfolk Council and Broadland District Council hybrid mail contracts, through an open tender exercise for an initial 3-year contract (with a potential for a 1 year + 1 year extension) on 1<sup>st</sup> September 2023.
- 3.2. Bidders were advised that bids would be evaluated on the following criteria Quality (70%) and Cost (30%) this was to ensure that customers continued to receive a high quality, reliable service which also provides value for money.
- 3.3. The deadline for tenders closed on 2<sup>nd</sup> October 2023 and following an evaluation and moderation process the winning bidder was selected.
- 3.4. The follow table shows the Tender submissions, their quality scoring and their fixed price cost for a 3+1+1 contract. The table outlines the highest scoring tender submission is Supplier A with a total combined evaluation score of 89.36%.

Tender	Total Contract cost (3+1+1)	Quality Score	Price Score	Total Combined Score
<b>Supplier A</b>	<b>£983,142</b>	<b>64.00%</b>	<b>25.36%</b>	<b>89.36%</b>
<b>Supplier B</b>	£952,531	35.00%	26.17%	61.17%
<b>Supplier C</b>	£831,000	54.00%	30.00%	84.00%
<b>Supplier D</b>	£1,025,355	58.00%	24.31%	82.31%

- 3.5. The following table outlines the total cost of the new contract and the cost to South Norfolk Council across a 3+1+1 contract term based on Supplier A's tender submission.

	<b>Year 1 *</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Totals</b>
<b>Total contract ** cost (Supplier A)</b>	£121,590	£215,388	£215,388	£215,388	£215,388	£983,142
<b>Broadland District Council cost (45%)</b>	£54,716	£96,925	£96,925	£96,925	£96,925	£442,414
<b>South Norfolk Council total cost (55%)</b>	£66,875	£118,463	£118,463	£118,463	£118,463	£540,728

\*Year 1 budget includes a 5.4% increase to reflect inflation and the impact on Royal Mail postage costs. Future years will have an inflationary increase which will be determined based on the appropriate rate at that point. This may impact the savings realised

\*\*Supplier A tender terms allows them to contractually increase their costs to increases in Royal Mail postage costs which are out with their control. This is not included in their tender pricing and may increase below their Year 1 actual costs and future year costs.

- 3.6. The total estimated saving for South Norfolk Council across the lifetime of the contract is £100,966 against South Norfolk Council's current budget of £641,694.

#### **4. Proposal Action**

- 4.1. It is proposed that the award of contract for the Hybrid Mail service for South Norfolk Council is awarded to Supplier A.
- 4.2. Supplier A currently successfully provides annual billing services to both councils.

#### **5. Other options**

- 5.1. Withdraw the Invitation to Tender and continue to use our existing providers, without any contractual agreement, and without the option to unlock savings without going through a future procurement.

#### **6. Issues and risks**

- 6.1. **Resource Implications** – Award of this contract will deliver savings against budget in each year of the contract
- 6.2. **Legal Implications** – Award of this contract will bring the Hybrid Mail provision under a legal agreement with the provider. As this procurement process was awarded through an open tender it removes the risk of a challenge in the future.
- 6.3. **Equality Implications** – There are no equality implications.

- 6.4. **Environmental Impact** –Supplier A have stated in their tender that they ‘will collaboratively work with South Norfolk District Council to improve your sustainability and environmental credentials in multiple ways.’
- 6.5. **Crime and Disorder** – N/A
- 6.6. **Risks** –Supplier A have committed to the implementation timescales as outlined in the Invitation to Tender which will ensure service continuity as we move suppliers. The costs for the contract are based upon hybrid mail volumes in 2022/23. If the volume of hybrid mail increases during the life of the contract the suppliers’ charges will increase proportionately however this will be offset by a reduction in the more expensive manual post provision. If the volume of hybrid mail during the life of the contract decreases as we continue to move more cost-effective solutions such as e-billing the suppliers charges will decrease proportionately. The contract includes a clause for both provisions.

## 7. **Conclusion**

- 7.1. The commitment to deliver First-Class Customer Service is a key element of our transformation agenda and must be underpinned by a resilient, future-proofed and cost-efficient hybrid mail provision enabled by this procurement exercise.

## 8. **Recommendations**

- 8.1 Agree to award a three-year contract, with the option to extend by two years, for the hybrid mail provision for South Norfolk Council to Supplier A Background papers.

## **Background papers**

None.