

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 12 September 2016	<b>Meeting Name:</b> Strategic Director of Finance and Governance
<b>Report title:</b>		<b>Gateway 1 and 2</b> Printing and document management services (PDM)	
<b>Ward(s) or groups affected:</b>		All Wards	
<b>From:</b>		Head of Corporate Facilities Management	

### RECOMMENDATIONS

1. That the strategic director of finance and governance retrospectively approves the single supplier procurement strategy for Printing and Document Management Services (PDM) for the period 01/03/2015 to 30/09/2016.
2. That the strategic director of finance and governance retrospectively approves the contract award for PDM for the period 01/03/2015 to 30/09/2016 to Swiss Post Solutions Limited at an estimated cost of £982,200.
3. That the strategic director of finance and governance retrospectively approves the single supplier procurement strategy for PDM for the period 01/10/2016 to 30/09/2017, with an option of extending for one period of up to 12 months.
4. That the strategic director of finance and governance approves the contract award for PDM for the period 01/10/2016 to 30/09/2017 to Swiss Post Solutions Limited at an estimated cost of £458,000, with an optional extension taking total contract value to £1,440,000. The strategic director of finance and governance should note that the award will be effected by way of a deed of variation.

### BACKGROUND INFORMATION

5. The council requires print services including reprographic and non-reprographic services, being:
  - a. reprographic, e.g. general and digital printing, scanning and bulk photocopying
  - b. non-reprographic, e.g. all other design and high quality print.
6. The council had a contract with Swiss Post Solutions Limited (SPS) which commenced on 1 March 2014 and had an expiry date of 28 February 2015.
7. In order to provide continuity of service, as the council had not prepared a procurement strategy to implement a new contract, and as the previous contract had no further formal contract extension provisions, the contract was extended using the same terms and conditions by way of letters.
8. These extensions were by a way of extension letters sent to SPS as shown below:
  - 01/3/15 – 30/8/15 – extension put in place by way of extension letter.
  - 31/8/15 – 30/11/15 – extension put in place by way of extension letter.
  - 30/11/15 – 01/05/16 – extension put in place by way of extension letter.

9. Approval is now sought retrospectively for the procurement strategy for the PDM services from 01/03/15 to 30/09/16, namely a single supplier negotiation with SPS.
10. Approval is now sought retrospectively for the contract award for PDM services from 01/03/15 to 30/09/16, to SPS in the estimated sum of £982,200.
11. A planned procurement strategy to call off from a third party framework was the subject of a Gateway 1 report approved on 11 August 2015. This route was followed and negotiations commenced with Ricoh UK Ltd (Ricoh) (the provider under the Westminster (WCC) framework).
12. At first, negotiations appeared to progress well but unfortunately, they then became delayed and protracted. It soon transpired that Ricoh's proposal could no longer meet the council's requirements for the following reasons:
  - The council only requires the print management lot under the framework to be provided as opposed to a complete print and document management service. The nature of print management means costs fluctuate constantly due to market pressures. Any cost savings that Ricoh could offer the council were notional against driving better prices through their training and education of council staff to have better planning of advance requirements.
  - The short turn around basket of goods, which are primarily in relation to the printing requirements of the council's constitutional team, proved to be more problematical in terms of financial viability and the basket of goods and rate card offered by Ricoh was not considered to offer any savings to the council.
13. Given that the above procurement strategy has not resulted in a successful outcome, retrospective approval is now sought for a single supplier procurement strategy for PDM for the period 01/10/2016 to 30/09/2017, with an option of extending for one period of up to 12 months, and for the award of that contract for the period 01/10/2016 to 30/09/2017 to Swiss Post Solutions at an estimated cost of £458,000, with an optional extension taking total contract value to £1,440,000.

#### **Summary of the business case/justification for the procurement**

14. The council has a wide remit of printing requirements ranging from committee agenda and minutes, annual reports, leaflets, applications forms, campaign support materials etc. These requirements fall into two main service areas, reprographic and non-reprographic with the former covering much of the work required by the constitutional team, community councils and scrutiny section. The communications team commissions much of the non-reprographic work both directly and on behalf of other departments and some departments send requests direct to the service provider. Whilst the contract includes a design facility, the use of this option has declined in recent years and the communications team now sources this requirement direct from the market when necessary.
15. As it is no longer considered viable to call off from the WCC framework, the primary aim of this single supplier negotiation is to ensure that current service

requirements continue to be met whilst a new procurement strategy is identified and completed, and a new contract from 30/09/2017 is put in place. The justification for continuing the print document management service with SPS for 01/10/2016 to 30/09/2017 is to ensure continuity of service for the council whilst CFM procure a new contract.

16. The performance of SPS has been good since the commencement of this contract and they have continued to perform at a level in line with or above contractual requirements, thus demonstrating value for money for the council. The council have been provided a "premium service" from SPS which means job received up to 14:00 are produced and returned by 17:00 as other SPS contracts work at a standard 24 hour turnaround.

### **Market considerations**

17. The council is not yet in a position to take advantage of recent changes in the PDM market. As outlined above, attempts to use a framework have not been successful. For these procurements, wider market engagement has not been considered as there is the need for continuity of service and therefore the contract continues with SPS whilst a new procurement option is explored.

### **KEY ISSUES FOR CONSIDERATION**

#### **Options for procurement route including procurement approach**

18. Doing nothing option was considered but rejected because the council must have a facility for the provision of print document management services in order to fulfil the council's printing requirements.
19. Use of a framework has been discounted at this stage, following the failure to agree terms using the WCC framework.
20. It was not possible to bring the service in-house given the limited time horizons of each of the extensions and level of capacity in the council.

#### **Procurement route followed**

21. Single supplier negotiations have been held with the incumbent supplier (SPS) for service continuity reasons already highlighted in this report.

#### **Future proposals for this service**

22. The recommendation in this report will provide a contract for PDM services until 30/09/2017. It is intended to bring forward a new procurement strategy in this time to have in place a new arrangement after 30/09/2017.
23. It is considered that this gives a clear opportunity to review all options for the delivery and management of this service particularly in the context of digital by default potentially utilising a web based electronic ordering system meeting the council's requirements in terms of integrating more digital services showing innovation by being less reliant on paper and establishing more stream lined processes for internal print requirements.
24. This will be achieved by liaising with all relevant stakeholders to understand their requirements and a thorough review of currently available technology and

systems in order to draft a new specification in line with the council's requirements. Dependent on the outcome of this work bids will be sought either via an existing framework or by going out to market and conducting an EU procurement tender. It has been highlighted in this report that one extension provision of up to 12 months is sought in case the new procurement process cannot be completed in time. However CFM is planning not to need that extension.

### Identified risks for the procurement

25. The table below identifies risks associated with this procurement strategy and controls to mitigate the risks.

Risk No.	Risk Identified	Risk level	Mitigation
R1	Possible risk of challenge.	Low	This is a relatively short contract and service continuation is required to allow a new procurement to be undertaken. Regulations 72(1) (e) of the Public Contracts Regulations 2015 (PCR 2015) will be relied upon for this negotiation.
R2	Procurement process for replacement arrangements becomes delayed	Low	The project management of the future procurement process will ensure that adequate service provisions will be in place.
R3	Lack of staff resources to deliver new procurement	Low	There is additional resource within the CFM department to help support and deliver the new procurement strategy outlined.
R4	SPS ceases trading, goes into administration or liquidation	Low	A recent credit check indicates that Swiss Post Solutions scored a Delphi rating of 86 out of 100 which indicates that there is a low risk of SPS ceasing trading or going into liquidation during the proposed extension.

### Key /Non Key decisions

26. This report deals with key decisions.

### Policy implications

27. This contract will support departments who need to produce printed information in line with the council's communication standards/protocols.

### Procurement project plan (Non Key decisions)

Activity	Complete by:
DCRB Review Gateway 1 and 2:	13/06/2016
CCRB Review Gateway 1 and 2:	30/06/2016
Single supplier negotiations	07/07/2016
Notification of implementation of Gateway 2 decision	23/08/2016

Activity	Complete by
Approval of Gateway 2: Contract Award report	01/09/2016
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	09/09/2016
Contract Award	12/09/2016
Add to Contract Register	29/09/2016
Place award notice on Contracts Finder	30/09/2016
Contract start	01/10/2016
Initial Contract completion date	30/09/2017
Contract completion date if maximum extension used	30/09/2018

#### **TUPE/Pensions implications**

28. It was considered and agreed that TUPE did not apply.

#### **Development of the tender documentation**

29. The existing contract and specification has been reviewed and will be amended and negotiated accordingly with SPS.

#### **Advertising the contract**

30. Not applicable.

#### **Evaluation**

31. Not applicable as extending the current contract. SPS have provided a high quality service to date.

#### **Community impact statement**

32. This decision has been judged to have no or a very small impact on local people and communities however, local suppliers will be sought to reduce costs, environmental impacts and support and build the local Southwark economy.

#### **Sustainability considerations**

33. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

#### **Economic considerations**

34. The full cost of this service for the required period is set out in the financial implications.

### **Social considerations**

35. SPS confirmed that all relevant staff are paid at least the London Living Wage rate.

### **Environmental considerations**

36. As part of the council's green buildings programme staff will use recycled paper where practical.

### **Plans for the monitoring and management of the contract**

37. Monitoring and management arrangements already exist and will continue in accordance with the provisions of the current contract. These arrangements include:
- Monitoring budget spends and compiling monthly spends profile reports.
  - Checking invoices for accuracy.
  - Providing a robust single point of contact for end users.
  - Proactively responding to complaint and service improvement requests.
  - Chairing monthly contractor performance monitoring meetings.
  - Ensuring contractor monthly reports are received timeously.

### **Staffing/procurement implications**

38. The contract will be monitored by the CFM team.

### **Financial implications**

39. After negotiations with SPS that took place on the 7 July 2016, they confirmed that their prices on their original pricing schedule will remain the same throughout this proposed extension. SPS were not able to decrease the pricing schedule that was agreed when the contract was let due to the council having already a "premium service" in terms of specific delivery requirements.
40. This is a call off contract, which is recharged to the departments who use it. The departments hold their own budgets and are responsible for monitoring them.
41. Costs up to 31/03/2016 have been accounted for in previous financial years.
42. The council's general fund budget for 2016-17 was agreed in February 2016 and includes estimated budgets for planned PDM work. It is important that budgets are closely monitored as work is commissioned to ensure that these budgets are not exceeded.

### **Legal implications**

43. Please see the supplementary advice from the director of law and democracy.

### **Consultation**

44. The Campaigns team have been identified as the key stakeholders and have been consulted about the procurement strategy.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (H&M16/021)**

45. The strategic director of finance and governance notes the recommendations in this report. Costs up to 31/03/2016 have been accounted for in previous financial years. The council's general fund budget for 2016-17 was agreed in February 2016 and includes estimated budgets for planned PDM work. It is important that budgets are closely monitored as work is commissioned to ensure that these budgets are not exceeded. Budgets for 2017-18 will be agreed in January (HRA) and February (general fund) 2017.

### **Head of Procurement**

46. This report is seeking retrospective approval for the procurement strategy and award of contract for printing and document management services and award for a further period of 12 months with the incumbent provider.
47. The reason for the retrospective decision is to provide continuity of service as the council had not prepared a procurement strategy to implement a new contract, resulting in the need to extend the existing contract.
48. The report advises that during the recommended 12 month period from 1/10/16 a full service review and procurement will be carried out with the intention of putting in place a new arrangement. Should the option to conduct a full competitive tendering process of the new procurement be carried out, the timeline of 12 months is ambitious but achievable provided the service review is concluded, procurement process is started in sufficient time and appropriate resources are available when necessary.
49. The housing and modernisation department reports that performance to date has been good since the commencement of the contract with the provider performing at a level in line or above contractual requirements. There are management and monitoring arrangements in place which should support that this level of contract performance is maintained throughout the extension period.

### **Director of Law and Democracy**

50. This report seeks the retrospective approval of the strategic director of finance and governance for the procurement strategy and contract award for PDM services and contract award for a 12 month period (01/10/2016 to 30/09/2017), as further detailed in paragraphs 1-4.
51. The nature and value of this service is such that it is subject to the tendering requirements of the Public Contracts Regulations 2015 (PCR 2015). Regulation 72(1)(e) of PCR 2015 permits contracts to be modified, irrespective of their value, if modification is not substantial. The justifications for relying on regulation 72 are noted in paragraphs 6-15. The strategic director is advised that when relying on any ground for exemption from the requirements of PCR 2015, there is a potential risk of challenge on the basis that the council does not have sufficient grounds to justify negotiations in these circumstances. However, given a failed procurement exercise, the fact that the modification is not substantial, the need for continuity of service whilst a full service review is carried out and a new procurement exercise conducted, it is considered that the risk is low.

52. It is confirmed that this report has been submitted to the relevant departmental contract review board and will be submitted to the audit, governance and standards committee as required by contract standing orders (CSO) 4.8. As the procurement strategy and contract award fall within the circumstances noted in CSO 4.5.2(c) and 4.6.2(c), the decision is reserved to the strategic director of finance and governance, after consideration by the corporate contract review board.
53. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 39-42 confirm the financial implications of this award.

**FOR DELEGATED APPROVAL**

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature



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**Strategic Director of Finance and Governance**

Date 20-9-16



## BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Contract file	160 Tooley Street, London SE1 2QH	Lee Nailard Ext 51047

## APPENDICES

No	Title
	Not applicable

## AUDIT TRAIL

<b>Lead Officer</b>	Barbara Crabb, Head of Contracts, CFM	
<b>Report Author</b>	Lee Nailard, Interim Contracts Manager, CFM	
<b>Version</b>	Final	
<b>Dated</b>	12 September 2016	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	N/a	N/a
<b>Date final report sent to Constitutional Team</b>		