

REPORT TO	DATE OF MEETING
Cabinet	4th November 2015



SUBJECT	PORTFOLIO	AUTHOR	ITEM
The externalisation of print and post for Revenues and Benefits	Corporate Support	Peter Haywood	7

1. SUMMARY AND LINK TO CORPORATE PRIORITIES

An Efficient and Effective Council

1.1 The report concerns proposed changes to the processing of outgoing mail in the Revenues and Benefits Service. Implementation of a ‘hybrid mail’ solution will generate significant savings in the cost of processing and posting outgoing mail as well as eliminating the manual tasks associated with processing mail. This will assist the Council in delivering value for money in all aspects of the Council’s work and meeting the challenge of Business Transformation, resulting in a more effective and efficient council.

2. RECOMMENDATIONS

2.1 That Cabinet approve participation in the joint procurement of Hybrid Mail Services with Preston City Council and Lancaster City Council which will call off Lot 3 of the Crown Commercial Services Postal Goods and Services contract , framework number RM1063.

2.2 That authority be delegated to the Director of Business Transformation, in consultation with the Portfolio Member for Corporate Support, to subsequently award this contract following completion of the procurement exercise.

3. Rationale / Key Issues / Options / Reasoning

3.1 The Revenues and Benefits Service currently has a second class postal services contract in place with Whistl, previously known as TNT. This was a 2 year procurement that was originally due to end on 30th September 2015 but which has since been extended to 29th February 2016. All documents, letters, bills, invoices and benefit notifications are printed in the Revenues and Benefits department, with these documents then being collated and manually inserted into envelopes prior to posting. This is a labour intensive exercise with significant fixed and variable costs, such as the cost of a printer, paper, toner and envelopes. Furthermore, whilst the Council benefits from a reduced rate of postage by using Whistl when compared to Royal Mail, additional savings on the cost of postage can be achieved by using a hybrid mail solution.

3.2 In essence hybrid mail is the process of an offsite provider printing documentation, consolidating letters and bills, inserting these into envelopes and delivering the output to Royal Mail sorting offices in a manner and order that enables the maximum level of postal discount to be obtained. A number of Revenues and Benefits departments are now using hybrid mail to fulfil their outgoing mail requirements. Due to economies of scale hybrid

mail suppliers have been able to offer significant savings over the more traditional method of printing and posting mail, and are able to guarantee a high percentage of delivery dates due to their method of insertion into Royal Mail.

3.4 The Preston and Lancaster joint Revenues and Benefits service currently have a hybrid mail contract that is due to expire in January 2016. They intend to procure a new agreement for hybrid mail services and intend to commence a new procurement process shortly using Lot 3 of the Crown Commercial Services Postal Goods and Services contract, framework number RM1063. Preston and Lancaster use the same Capita Academy Revenues and Benefits system as South Ribble and have agreed to include South Ribble in their procurement process. As such, the Council could achieve a reduced price due to economies of scale, may benefit from Preston and Lancaster's previous experience of undertaking a similar procurement exercise and can liaise with Preston and Lancaster when undertaking the hybrid mail implementation process.

3.5 The Council has used offsite printing and posting of bills and letters for a number of years to deal with the issuing of annual Council Tax bills in March of each year. This procurement is in respect of the production and posting of 'daily' bills and letters, but it will also incorporate council tax annual billing. Once the agreement is in place all three councils will have the option to extend the process to other council departments to generate additional savings.

3.6 An analysis of South Ribble's current cost of posting has been undertaken and these figures have been compared to Preston and Lancaster's current hybrid mail costs, with anticipated savings of £30,000 per annum being achieved by moving from the current post solution to hybrid mail. However, these savings may be reduced by up to £5,000 in the first year due to the costs of the initial set up. These savings are forecasted below, based upon estimated annual daily mail volumes of 140,000 items and Preston's current cost of £0.33 per item:

	Current Costs	Hybrid Mail Costs	Saving
Production Cost per Item	£0.18480		
Staff Cost	£0.07340		
Postage	£0.29389		
Total Cost Per Item	£0.55209	£0.3300	
Total Annual Cost of Daily Items	£77,293	£46,200	£31,093
Total Cost over 4 Year Period (Inc £5,000 cost of initial set up)		£189,800	£119,372

3.7 It is anticipated that the agreement will last for three years with the option to extend for a further year. It is not anticipated that there will be any savings associated with the inclusion of annual billing in the agreement as hybrid mail is already used for this process with savings being maximised. It is expected that these proposals will also generate further staff savings.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

FINANCIAL	The forecast annual budget saving from the implementation of a hybrid mail solution is £31,000 per annum. This includes savings in printing, postage and stationery costs as well as staffing costs. There will be an initial set up cost in the first year of around £5,000.
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LEGAL	The use of Framework agreements is permitted by paragraph 35 of the Contract Procedure Rules. The Crown Commercial Services framework is fully compliant with all EU requirements – we have made use of it on a number of other occasions.
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OTHER (see below)	
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<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS