

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Report:	27 October 2009
Report by:	Executive Director (Finance and Information Technology Resources)

Subject:	Extension of the Bulk Printing and Mailing Contract
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ Advise of the current status of the contract for the supply of Bulk Printing and Mailing services and seek approval to extend the contract by a further 12 months.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the contract with Document Outsourcing Limited to supply the Council with bulk printing, scanning & mailing services be extended for a further 12 months until 30 November 2010.

3. Background

- 3.1. The Council's bulk printing, scanning and mailing services have been outsourced since 1998. Following a successful contract with Stortext Limited for the provision of these services from 1999 to 2006, the key service stakeholders agreed to re-tender the service via the European Union procurement process.
- 3.2. Following the complete tender process in late 2005 early 2006, the contract for the supply of a managed printing, scanning and mailing service was re-awarded to Stortext now called Document Outsourcing Limited in May 2006. The contract was for an initial period of 3½ years, with an optional extension of 2 years. The initial 3½ year period expires on 30 November 2009.
- 3.3. A major consideration in awarding the tender to Document Outsourcing was cost - their bid was the lowest provided. Both short-listed companies provided similar printing costs which were in line with existing Council budget spend. Document Outsourcing's bid proposed to reduce postage costs for bulk mailings by the introduction of deregulated postage services. Rather than simply using Royal Mail for bulk mailing services, Document Outsourcing committed to securing the most cost effective mailing service on a per mailing basis.

- 3.4. Document Outsourcing implemented their service delivery strategy and commenced service delivery on 24 May 2006. This was accomplished with no disruption to service delivery and most Council Resources noticed no difference in the service.
- 3.5. The formal contract and service level agreement was agreed between the parties within the first few weeks of the commencement of service.

4. Service Level Management and Performance Indicators

- 4.1. Fortnightly operational and monthly service review meetings are held. Key customer and supplier representatives attend these meetings. A full agenda is produced before each meeting and summary minutes of each meeting are also produced. All issues and service improvements are formally recorded and tracked at service meetings.
- 4.2. Fortnightly service highlight reports are produced by Council staff and monthly performance reports are produced by Document Outsourcing.
- 4.3. Key performance indicators are applied to the contract via the service level agreements. There are specific performance indicators for printing, finishing and despatch, data capture and change requests.
- 4.4. Document Outsourcing provides a monthly invoice report detailing the previous month's charges. This is broken down per Resource for each job and details the charges for each service used.

5. Contract Service Improvements

- 5.1. A phased introduction of Document Outsourcing's PrimePost deregulated postage services in the first half of 2008 led to cost avoidance savings of £38,330 in mailing charges in financial year 2008/09 when compared to the equivalent charges from Royal Mail. The changes were audited by the Finance Procurement team. The breakdown of cost avoidance savings for 2008/09 is as follows:

◆ Benefits & Revenues	£17,100
◆ Housing Area Services	£9,650
◆ Lanarkshire Joint Valuation Board	£9,200
◆ Debtors	£2,380
- 5.2. The PrimePost service offers known delivery dates to Council Resources. This allows time sensitive services such as debt recovery to target individuals much more effectively.
- 5.3. World-wide paper costs have increased significantly since May 2006. Due to the terms of the contract, this has been limited to a single increase in costs to the Council well below current market rates.
- 5.4. There has been a significant increase in the use of the contracted services by Council Resources. At the start of the contract, there were 83 live applications and 3,541,488 processed images. This has increased to the current levels of 125 live applications and 4,590,840 processed images.

5.5. There have been several process improvements in the delivery of the service. Service level targets have been moved from 95% to 98% while timescales for completion of work have changed from a one-size-fits-all solution to volume driven timescales.

5.6. Council staff can track a job from start to finish within Document Outsourcing via a daily report spreadsheet issued to service users. In addition, regular stock reports are issued to assist in the re-ordering of pre-printed paper and inserts.

6. Contract Service Issues

6.1. All contracted services met service level targets during the period May 2006 to January 2009. However, the Council end of year processing raised issues relating to the bulk printing and mailing contract. Approximately 85,000 images sent to Document Outsourcing for processing were affected. This represented a ten-fold increase in errors compared to any previous incident over the last ten years.

6.2. The Managing Director of Document Outsourcing identified rapid expansion of the business and the take on of new staff as the root cause of the quality issues. He agreed to work with the Council on an urgent programme of service improvements to re-instate customer confidence.

6.3. The service improvement project ran from April to July 2009 focusing on the introduction, testing and reporting of improved operational processes within Document Outsourcing. Following a stringent program of checks, the Council has now signed off the project as having met its objectives.

6.4. A meeting of key service stakeholders on 12 May 2009 considered Document Outsourcing's ability to deliver the contracted service had been impacted by the year-end issues. It was further considered that the service should be re-tendered as soon as practically possible.

6.5. Given that the end of the initial contract period is 30 November 2009, it is proposed that the contract should be extended by one year to 30 November 2010 to provide sufficient time to carry out a full European Union procurement process. It is anticipated that the tender will be advertised in November 2009 with the award of contract in May 2010. There will then be a six month service transition to the new supplier. This proposal has been agreed by key service stakeholders.

7. Employee Implications

7.1. None

8. Financial Implications

8.1. Service costs during the contract extension period will remain fixed at current levels.

9. Other Implications

9.1. None

10. Equality Impact Assessment and Consultation Arrangements

10.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.

10.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Linda Hardie
Executive Director (Finance and Information Technology Resources)

30 September 2009

Link(s) to Council Value and Objectives

- ◆ Value: Accountable, effective and efficient

Previous References

None

List of Background Papers

- ◆ Committee report recommending award of contract
- ◆ Contract schedules including service level agreement
- ◆ Deregulated mail savings report
- ◆ Workshop report 12 May 2009
- ◆ Service improvement project report

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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