

**BRISTOL CITY COUNCIL  
CABINET  
11 August 2016**

**REPORT TITLE: FACILITIES MANAGEMENT PRINT AND MAIL**

**Ward(s) affected by this report: Internal Proposal**

**Strategic Director: Barra Mac Ruairi, Strategic Director, Place**

**Report author: Adrian Randall, Head of Facilities Management**

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**Purpose of the report:**

To consider an Alternate Service Delivery Model for Print and Mail Services.

**RECOMMENDATION for the Mayor's approval:**

1. Approve the commencement of a tendering process for Print and Mail Services.
2. To delegate approval for the award of this new contract to the Strategic Director for Place on completion of the successful procurement process.

**The proposal:**

3. The Head of Facilities Management recommends outsourcing the Print and Mail functions.
4. The reasons to consider outsourcing of these functions:
  - It is the right time to embrace proven technology and be able to return a better and more cost effective to the end user.
  - There are significant savings to be realised through outsourcing.
  - To continue with an in-house model would need significant capital investment in specialised machinery and software. Leasing options have been considered but this would still an initial and on-going cost.
  - As Bristol City Council continues to work towards a paperless office the service will be under-utilised due to shrinking volumes and demand.
  - Significant amounts of key data have been collated by the current team management to assist with specifying Council requirements from any provider ensuring a considered price is delivered.
  - Outsourcing Print and Mail would free up the Willway Street (figure 1) property for disposal, with a value of £250,000 plus saving of premises occupation costs of £30,000 pa.



Figure 1

5. The cost of service delivered by Print & Mail is £1.6 million, with 10 staff (9.5 FTE). The cost of print and mail activities purchased outside Print & Mail was £2.3m (14/15 EY FM Discovery Report). Therefore, volume is a key driver and it would be essential to target the circa £3.9m rather than just the £1.9m controlled by Print & Mail.

The full savings potential will only be achieved if all users adhere to protocol changes which would need a significant change in working culture and methods. This change would need to be supported and embraced by strategic and service leadership. If realised, we would be able to buy into a contractor's excess capacity, ensuring a best price through a **local** but developed competitive market.

To maximise the savings from Collection and Delivery internal staff should be requested to send mail direct to a digital mailing house rather than allowing internal staff to do this. It should also be considered that where there is non-Print & Mail positions facilitating 'off-line' activity, that they be considered for further savings by breaking down culture silos to generate extra savings or efficiencies.

Having spoken with subject matter experts we believe there is a **significant opportunity** for the **local supply chain** to benefit from this outsourcing prospect. This has been tested recently with the printing of Election Cards provided by a local SME supplier. This offering would be split between a local mailing house and printing organisation that could also accommodate specialised printing required by some Bristol City Council services.

6. Risk  
In terms of service to the end user the risk is very low with the current ratio of 'in-house' compared to 'outsourced' standing at 27%:73%. We receive excellent service from our current (local) supply chain supported by a proven and qualified delivery record. However, as mentioned earlier in this paper, the main risk to delivering full savings, comes from not centralising or including all print and mail spend and therefore not optimising the saving opportunity.
7. Management Systems  
Accepting that service risk is low would support the requirement to have a very small but knowledgeable internal client team thus keeping overheads down whilst being able to manage the supply chain (low maintenance). This could be incorporated in to existing management and if we outsource our print and mail services we will retain responsibility for all the compliance - outsource the work, not the responsibility.

8. Information security

Whilst there may be concerns over the security of key data and confidential information, outsourcing of these services is adopted by many large organisations having the most stringent requirements for data security. We would require robust data and management controls as part of the procurement process. This should include signing a confidentiality agreement.

9. Incoming mail

We propose that the council implements a digital mail room allowing all incoming mail to be scanned, saved and distributed digitally. Wherever possible, staff would send mail electronically rather than by traditional post.

10. Crown Commercial Services (CCS) suggests that other councils have seen a 15% reduction in costs by using framework agreements which we would deliver through our Dynamic Procurement System (DPS)

**Consultation and scrutiny input:**

Not deemed appropriate and therefore not required (see HR comments below)

**a. Internal consultation:**

None

**b. External consultation:**

None

**Other options considered:**

1. Continue with existing service

This was considered and analysed but not viewed as a viable option, subject to the outcome of market testing. Our current equipment and technology is ageing and has become unreliable; buying new assets would need a significant capital investment at a time when volumes are decreasing as the Council adopts 'Digital by Default'.

2. Advantages of in-house Print and Mail:

a. Organisational knowledge

An outsourced employee may not have the same understanding and commitment for the organisation as a permanent employee. Businesses inevitably have different approaches to work, so partnerships can be difficult.

b. Hidden costs of outsourcing

One of the main arguments in favour of outsourcing is that it cuts costs, but the reality is not so straightforward. Any analysis must take into account the costs incurred in the procurement and selection of outsourcing suppliers, and in the mobilisation of contracts, which can be significant and be accounted for. This should include TUPE costs and factored in to savings forecast.

c. Legal compliance and security

It is important that issues regarding legal compliance and security be addressed in formal documentation. Outsourced employees should not have access to confidential data of any kind where it would be in breach of data protection

legislation.

### 11. Disadvantages of in-house service

#### a. Costs

Continuing the in-house Print and Mail function would require investment in machinery and technology that would be expensive, under-utilised, increasing costs for the Council.

#### b. Efficiency

Using our own under-utilised equipment, when our volumes are decreasing further, is inefficient. Contracting the service out to a third party takes advantage of their capacity on high volume, high speed equipment, only when it is needed. This allows us to focus on core business, while knowing that the service is handled quickly, efficiently and professionally.

### 3. Traded Service

Although considered this was not viewed as a sound proposal. In addition to the comments above (point 1) the market place is vigorous and it is likely that we would experience margin erosion and return small gross and net profits compared to effort required. There would also be extra cost in terms of new skills required to participate in a competitive environment.

### Risk management / assessment:

Guidance:

<b>FIGURE 1</b>							
<b>The risks associated with the implementation of the (subject) decision :</b>							
No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK  (Before controls)		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK  (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	<b>IF</b> there is a delay with project programme e.g. Procurement or Legal resources, <b>THEN</b> delivery schedule is not met.	High	Medium	Engage legal and procurement early to minimise the risk arising. Agree and set appropriate planning, forecasting and consultation processes; perform suitable controls and reviews, maintain communication with Procurement and Legal stakeholders, to ensure appropriate resources are in place and maintained.	High	Low	Project Manager and Service Manager
2	<b>IF</b> insufficient number of responses or no response from market, <b>THEN</b> may need to undertake the process	High	Medium	Market engagement approach followed to date would suggest that this scenario is unlikely. In the event this changes, engage	High	Low	Procurement

	again, poor competition, no value for money.			with Procurement and Legal to identify further measures that may avoid or minimise the risks.			
3	<b>IF</b> there is challenge to tender process e.g. evaluation, assessment procedures, <b>THEN</b> delay to award of contract may occur resulting in contract not being in place for April 2017	High	Medium	Ensure evaluation members have adequate tender assessment training and appropriate resources are put in place in good time. Ensure detailed records are maintained throughout tender process. Engage Procurement and Legal to ensure adequate and transparent communication with all bidders at all times.	High	Low	Project Manager and Procurement

<b>FIGURE 2</b>							
<b>The risks associated with <u>not</u> implementing the (subject) decision:</b>							
No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK  (Before controls)		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK  (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	Not implementing this decision puts Savings Plan at risk	High	High	Savings will have to be achieved through other means to be determined	High	High	Service Manager

**Public sector equality duties:**

**Equalities Impact Assessment - Please see Appendix 1**

There is low equalities relevance for this function and in accordance with our procedures only an Equality Impact Relevance Check has been completed.

**Eco impact assessment - Please see Appendix 2**

The significant impact points of this proposal are.

- Outsourced print and mail workers will use gas, electricity and non-renewable materials, use transport fuel and produce waste. Whilst these impacts all occur with current in-house arrangements, there is a risk that outsourcing will reduce control and monitoring

The proposals include the following measures to mitigate the impacts

- The procurement process will include a method statement to address the environmental impacts, which will be assessed, scored and monitored.

The net effects of the proposals are

- If appropriate controls are implemented, it is not anticipated that the impacts arising will be significantly different to current arrangements.

**Advice given by:** Claire Craner-Buckley, Environmental Project Manager

**Date:** 29 June 2016

**Resource and legal implications:**

***Finance***

**a. Financial (revenue) implications:**

The combined 15/16 baseline outturn direct costs for print and mail services is £1.6m. The service had achieved significant savings over the last few years as a result of rationalisation of property assets and digitalisation of key services within the council.

The proposal is to outsource both services to achieve greater value for money. Preliminary discussions with other councils indicate an expected saving of up to 15%, this would equate to a maximum £240k further saving to the council.

However as the outsourcing plan targets potential suppliers nationally, staff TUPE transfer may not apply. If the TUPE regulations do not apply, staff will be offered the opportunity of redeployment or voluntary severance and redundancy cost is expected. Early estimate of this is up to £200k in 16/17.

**Advice given by** Tian Ze Hao / Finance Business Partner

**Date** 19/07/16

**b. Financial (capital) implications:**

If the Print and Mail services were retained within the council, capital investments in new equipment and technology would be required from time to time to meet service needs for ongoing operations.

**Advice given by** Tian Ze Hao / Finance Business Partner

**Date** 19/07/16

**Comments from the Corporate Capital Programme Board:**

*Guidance:*

Insert any comments on the proposal from the Corporate Capital Programme Board.

None

**c. Legal implications:**

The proposals set out in this Report are lawful.

- ***Procurement***

When instructed to do so Legal Services will work with Procurement and service management to advise and support on all aspects for outsourcing the services in compliance with the Council's own procurement rules, the Public Contract Regulations 2015

and the EU Procurement Directive, and draft a contract as required for value for money services.

- ***Transfer of Undertakings (Protection of Employment) Regulations 1996 (TUPE)***

If the proposal to outsource the services is implemented it is possible that it will result in a “Relevant Transfer” for the purposes of TUPE. If so, Legal Services will work with HR and service management to support compliance with the council’s TUPE obligations.

- ***Social Value***

The Public Services (Social Value) Act 2012 (Social Value Act) requires the Council to consider at pre-procurement stage of any services contract:

- how the services to be procured may improve the economic, social and environmental wellbeing of its area; and
- how the Council may conduct the procurement process with a view to securing that improvement.

Procurement law requires contracting authorities to award all public contracts on basis of “the most economically advantageous tender”. For procurement compliance, social value considerations used in assessing the most economically advantageous tender must:

- be relevant and linked to the subject matter of the contract; and
- be proportionate to the needs of the contracting authority; and
- not be discriminatory.

When instructed, Legal Services will support service management to apply the Council’s Social Value Policy and comply with the Social Value Act in compliance with procurement law.

- ***Public Sector Equality Duty***

There are no identifiable issues arising in this report relating to the Public Sector Equality Duty.

**Advice given by** Jane Johnson/Solicitor

**Date** 13 July 2016

**d. Human resources implications:**

Ten employees (9.5 Full Time Equivalent) are affected by the proposals. Whether or not staff transfer to the new provider cannot be assessed until the tenders have been received. There will be detailed consultation with staff and their trade union representatives. If the TUPE regulations do not apply, staff will not transfer to the new provider and they will be offered the opportunity of redeployment or voluntary severance. If the TUPE Regulations apply, staff will transfer to the new provider and their terms of conditions of employment will be protected. The new provider would also be under an obligation to provide a broadly comparable pension scheme

**Advice given by** Mark Williams/HR Business Partner

**Date** 13 July 2016

**e. Land / property implications:**

This proposal would involve a specific reduction in the extent of our operational estate with consequent capital receipt and reduction in property operating costs.

**Advice given by** Robert Orrett/Service Director - Property

**Date**

**21 July 2016**

**Appendices:**

Appendix 1 – Equality Impact Relevance Check

Appendix 2 – Eco Impact Assessment

**Access to information (background papers):**

*None*

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