

## **PROCUREMENT OF THE REPORTER**

**Submitted by:** Head of Communications

**Portfolio:** Customer Service and Transformation

**Ward(s) affected:** All

**This is a copy of a report to be submitted for Cabinet approval on 19 September 2012. It is being presented to the members of this committee for review in order to allow any comments to be considered and forwarded to cabinet as part of the process.**

### **Purpose of the Report**

To inform Cabinet of the outcome of a procurement process for the distribution and printing of the council's newspaper the Reporter.

### **Recommendations**

- (a) That Cabinet notes the outcome of the Reporter procurement process.**
- (b) That Cabinet endorses proposals to run a second procurement process to appoint a company to carry out the Reporter print contract and for the outcome of that process to be reported back to Cabinet.**

### **Reasons**

The outcome of the tender process has to be reported to Cabinet in line with the borough council's Standing Orders in Relation to Contracts' section 10 (Standards and Award Criteria) paragraphs (e) and (h).

## **1. Background**

- 1.1 In May 2009, Cabinet received a report outlining the results of a procurement process for the print and distribution of the borough council's newspaper The Reporter.
- 1.2 Contracts were awarded to two separate companies – one to provide print services and the other to provide distribution services. These contracts were for an initial two-year period with the option for negotiations with the contract providers for two separate 12-month extensions.
- 1.3 These options were exercised with both providers and this has therefore meant that the same print and distribution companies have been involved with the borough council for the last four years.
- 1.4 The contracts with both service providers – Harmsworth Printing (Staffordshire Sentinel Newspapers) for print and The National Leaflet Company for distribution - expire when the March edition of the Reporter is printed and distributed in 2013.
- 1.5 With distribution providers in particular, bookings need to be secured significantly in advance of the dates required and therefore to ensure the council could secure appropriate bookings both for 2013/14 and also for the following financial year, it was decided to carry out this procurement process well in advance.
- 1.6 There are some companies which provide both distribution and print services and it was therefore decided that for the purposes of this procurement process both elements would be

advertised at the same time. However, the council made it clear that companies could put forward tenders for either print or distribution or bid to provide both.

## 2. **Issues**

- 2.1 The Reporter is one of the main communication channels which the borough council uses to involve and engage residents with its services, decisions, policies and activities. Annual surveys carried out by the Communications Department show that it is still the single most popular mechanism for residents to get information about the council. It is not the sole means of communicating with residents but is an integral ingredient in the “communications mix” which the council currently uses and includes its website, social media (Twitter and Facebook), elected members, leaflets, posters, brochures and documents, press and public relations, face-to-face.
- 2.2 In 2011, the Secretary of State for Communities and Local Government revised the Recommended Code of Practice on Local Authority Publicity. The revised Code makes it clear that local authorities are not expected to produce more than four editions of their publications each year and content should be focused on council news, information and events.
- 2.3 Prior to the revision of the Code by the Secretary of State, the borough council had produced 10 editions each year of the Reporter. In 2011/12 and also in the current financial year the council is following the guidelines in the Code. In the current financial year four editions will be produced – May, July, November 2012 and finally February/March 2013.
- 2.4 Specifications sent out as part of the current procurement process have continued to follow the frequency guidelines for local authority publications as outlined in the Code.
- 2.5 Officers from the council’s Business Improvement and Partnerships Department and also the Audit Department have worked alongside and supported officers in the Communications Department to ensure the procurement process for the print and distribution of the Reporter has complied with all financial and procedural regulations and followed due process.
- 2.6 It was agreed to place a notice on the MyTenders website and this also feeds through to “Contracts Finder” which is the Government’s recommended portal for advertising all contracts which are below the Official Journal of the European Union (OJEU) thresholds for procuring public sector services.
- 2.7 Ten companies responded to the first part of the procurement process – five were interested in print, three in distribution and two in both print and distribution – and they were all sent a Pre-Qualification Questionnaire (PQQ). This process is used to gauge whether a company is capable of meeting the council’s contract requirements.
- 2.8 Five PQQs were returned and as a result of the reduced interest, the Head of Central Services, officers from the council’s Business Improvement and Partnerships Department and also the Audit Department were approached for advice by the Head of Communications.
- 2.9 It was agreed that the contracts had been advertised appropriately and due process had been followed therefore it was appropriate to continue with the procurement process. All five companies who had returned the PQQs were sent formal “Invitation to Tender” documents.
- 2.10 Only three tenders were received back by the council by the specified deadline date of Friday, 22 July and one was received after that date.

2.11 Two of the tenders returned to the council were for distribution services. Another tender for distribution services arrived after the deadline and this late submission was dealt with according to Section 19 (parts A and B of the council's Standing Orders). This tender was opened and noted but was not included in the process. Only one tender for print services was returned to the council.

### 3. **Options Considered**

3.1 An evaluation of the returned tenders has taken place within the Communications Department in line with the details outlined in the specification documentation – *“The tender evaluation will involve a single stage process which will be a desk-based evaluation of the ITT responses using a balance of 50 per cent price: Compliance with specification – 30 per cent; Customer support – 10 per cent; Environmental factors - five per cent; References – five per cent.*

3.2 As far as the distribution element of this process is concerned, the return of two tender documents combined with a third out-of-time document – which was still noted – means the council can feel confident it has sufficient evidence to justifiably appoint a service provider.

3.3 With regard to print services, an evaluation process has been carried out on the returned tender documentation, however, a single return raises concerns over value-for-money.

3.4 There are a number of options which have been considered with regard to the Reporter in light of the results of the procurement process. These are:-

- (a) Appoint print and distribution providers for the Reporter in line with the results of the evaluation process which has been carried out. The newspaper will be produced with the current revised Recommended Code of Practice on Local Authority Publicity in mind which suggests four editions each year.
- (b) Only appoint a distribution provider for the Reporter at this stage for a minimum of two years with the option of two potential 12-month extensions and carry out a further procurement process to ensure value-for-money with regards to the print element.
- (c) Carry out a complete new process for both distribution and print procurement services.

#### 3.5 **Option A**

- (i) Produce four editions each calendar year – February, May, July and November.
- (ii) Appoint the preferred distributor and the single responder to the print procurement. Scaling back the number of pages in the Reporter by around 10 per cent to 40 per year - two x eight page editions and two x 12 page editions - would enable the council to keep expenditure within existing Reporter budgets.
- (iii) The responder to the print contract has indicated it would be seeking six-monthly price reviews of paper costs during the contract. This is a reflection of the very volatile nature of the paper market. At this stage it is impossible to say how this would impact on budgets but there is little room for manoeuvre in the Reporter budgets as they stand and additional pressures may result in an overspend.
- (iv) An external typesetter is used for the Reporter and at proposed pagination rates this would add up to £2,800 per year. The external typesetter is used as there is no newspaper typesetting experience in-house and reduced staffing levels in the design service means it would be unable to cope with additional demands on its resources.

- (v) There is currently £31,120 allocated in the council's budgets for producing the Reporter and the proposals outlined above would mean expenditure would be kept marginally within existing budgets at the outset of the contracts.
- (vi) Proposed pagination levels outlined in (ii) would result in 40 pages of Reporter information produced each year compared to a proposed 44 in the current financial year and 48 produced in the previous financial year.
- (vii) Pagination figures for previous years cannot be compared as at that time the council produced 10 editions each year.

### 3.6 Option B

- (i) Four editions produced each calendar year – February, May, July, November.
- (ii) Many distribution companies have long lead-in times for their work programmes and this means bookings very often have to be placed around 8-12 months before a distribution is actually required. With this in mind any delay in pressing ahead with appointing a suitable distributor could cause the council difficulties in the long-term.
- (iii) Print companies have a shorter requirement for booking in work and as a result a delay in this part of the procurement process would not have such serious implications for the council and the additional time would allow the council more time to satisfy itself it is getting best value-for-money for local Council Taxpayers.

### 3.7 Option C

- (i) As highlighted in points 2.5 and 2.6, due process has been followed and expert advice taken as the process has moved forward.
- (ii) Organising and running another complete process would be time-consuming and would cost the borough council – and tenderers – in terms of human resources. In light of the earlier comments about distribution contract lead-in times it may solve one problem – surrounding print – but create another around distribution.

## 4. **Proposal and Reasons for Preferred Option**

- 4.1 It is proposed that the National Leaflet Company be awarded the contract for the distribution of the Reporter under the terms outlined in the respective tender documents and schedules. Their pricing proposals for eight, 12 and 16 page editions can be delivered within the proposed Reporter budget for distribution services from 2013/14 which is £15,800.
- 4.2 The National Leaflet Company is the current service provider for distribution of the Reporter and they have provided a consistently efficient and effective service for the borough council. They also scored highest in the evaluation process.
- 4.3 The company is the market leader in door-to-door distribution within the public sector with 120 public sector clients.
- 4.4 They use the Royal Mail door-to-door service to deliver the Reporter and offer a minimum coverage of 96 per cent across the borough. Some councils do improve on this figure by sending every one of their publications using second class post. This does guarantee a 100 per cent penetration rate but would cost around 95p per unit and with current budgets this simply cannot be afforded in Newcastle-under-Lyme four times a year.
- 4.5 Agreed monitoring and complaints procedures are in place for non-delivery but because door-to-door does not guarantee a 100 per cent penetration rate, single complaints cannot be investigated. Additional telephone back-checks are available but they cost 40p per check.

- 4.6 It is also proposed that the Head of Communications carry out a second procurement process for the print requirement of the Reporter and the outcome of this process be reported back to Cabinet at the earliest opportunity. This will be done in conjunction with procurement staff in the council's Business Improvement and Partnerships Department.
- 4.7 To stimulate more market interest, this second process will involve talking to other local authorities about their print providers and then contacting them to discuss this council's requirements as well as exploring new advertising opportunities within the trade press.
- 4.8 The company which was the sole responder to the first procurement effort will also be contacted to take part in the second process.
- 4.9 Research by the Local Government Association has found that where residents feel they are kept informed by their council they are far more likely to be satisfied with their council.
- 4.10 There have been significant changes in the local media landscape in recent times which has resulted in less coverage of the council, its policies, services and activities. There is little sign of this changing and for that reason it is vital the council retains channels which allow it to inform and involve residents with the services and activities their Council Tax pays for.
- 4.11 The borough council's website continues to develop and improve and the council is also reaching more people than ever before through social media and face-to-face engagement. However, evidence suggests the Reporter continues to be an extremely important part of the communications mix for the council.

## 5. **Outcomes linked to Sustainable Community Strategy and Corporate Priorities**

- 5.1 The Reporter is a key communications channel which engages, involves and informs stakeholders about policies, services, events and activities delivered in support of the Sustainable Community Strategy and the borough council's corporate priorities.
- 5.2 Not sharing this information could have a detrimental impact on delivery of the Strategy and the corporate priorities.

## 6. **Legal and Statutory Implications**

- 6.1 There is no legal or statutory duty on the council to produce a civic newspaper.

## 7. **Equality Impact Assessment**

- 7.1 An Equality Impact Assessment which covers the Reporter has been produced as part of the council's Communications Strategy which was approved by Cabinet in March 2012.

## 8. **Financial and Resource Implications**

- 8.1 It is four years since the appointment of the National Leaflet Company to the Reporter distribution contract.
- 8.2 Price proposals submitted as part of their tender documentation suggests increases of below 10 per cent on all paginations which when one considers inflation has risen by an average of around four per cent a year during the term of the contract, that represents good value-for-money for the council.
- 8.3 The current annual Reporter budget is £31,120 and it is important in the current difficult financial situation that distribution, print and typesetting services stay within that financial

envelope if at all possible. This factor will be taken into consideration when the second procurement process involving print is undertaken.

- 8.4 Cabinet should note though that additional financial pressures may need to be responded to during the two-year initial agreement with the National Leaflet Company although it is impossible to gauge what these pressures may be at this moment in time.
- 8.5 The National Leaflet Company will be subject to price pressures from the Royal Mail although processes will be put in place for negotiation and discussion before any price changes are implemented.
- 8.6 One of the key changes to the Reporter in recent times has been the introduction of some paid-for commercial advertising from local businesses as well as some paid-for content from partner organisations.
- 8.7 Together these two areas generated £16,834 in external income during the financial year 2011/12 – more than half the total Reporter costs for the year. Another £3,992 in internal income was generated.
- 8.8 Deducting the external income generated by the Reporter of £16,834 from the £32,125 spent in the last financial year on print, distribution and typesetting leaves a total of £15,291. This means the net cost to each household in the borough for each edition of the Reporter during the last year was around seven pence.

## 9. **Major Risks**

- 9.1 There are no major risks associated with the proposals included in this report at this stage. However, the potential risks associated with progressing or not progressing the proposals are:-

### Risks if not progressed

- Resident “satisfaction and informed” levels throughout the borough could be adversely affected if the Reporter is not produced and distributed free of charge to the majority of households in Newcastle-under-Lyme.
- Involvement and engagement with council services and activities could be impaired.
- Key information is not widely distributed among residents.

### 9.2 Risks if progressed

- Pressure on Reporter budgets from service providers.
- Reputation damage to the council if – in the current difficult economic times – service providers succumb to pressures and go out of business resulting in no production of the Reporter.
- Qualified and trained council staff leave and are not replaced resulting in a skills gap around Reporter production.

## 10. **Earlier Cabinet/Committee Resolutions**

- 10.1 There are no earlier Cabinet/Committee resolutions relevant to this report.

## 11. **Background Papers**

- 11.1 The Pre-Qualification Questionnaire distributed to interested parties is available on request from the Head of Communications

- 11.2 The Invitation to Tender documents (Part One and Part Two) are also available on request from the Head of Communications.
- 11.3 The evaluation report is confidential as it contains commercially sensitive information. However, it is available for Cabinet members on request from the Head of Communications.