



Cabinet
24 October 2016

**Report from the Strategic
Director of Resources**

Wards affected: ALL

Award of a Contract for Postal Services

Appendix 2 of this report is Not for Publication

1.0 Summary

- 1.1. This report requests authority to award a contract as required by Contract Standing Order No 88. This report summarises the process undertaken in selecting the supplier for the contract and recommends to whom the contract should be awarded.

2.0 Recommendations

Members are requested to:

- 2.1. Note the Council's participation in a collaborative procurement under a framework agreement for a contract for postal services.
- 2.2. Approve the award of a contract for Collection and Delivery of Mail to Royal Mail Group Limited, for a period of two years and 319 days from 1st November 2016 to 15th September 2019 with an option to extend for a further year to 15th September 2020.

3.0 Detail

Background

- 3.1 The Council has a need for mail services, whereby outgoing post is collected from Council buildings and delivered to individual addressees. Whilst an increasing amount of communication from the Council is in digital only format, there are still large volumes of hard copy correspondence that need to be delivered.
- 3.2 The Council's mail is currently collected and delivered by Royal Mail under a contract that was awarded following a pan-London procurement in 2013. The contract is used by the digital post room and spend is from the centralised budget for postal services. This contract expired on 10th September 2016 and there is a need to put a new contract in place. Upon expiry of the contract, the Council continued to use Royal Mail as the default national provider, and Royal Mail have agreed to continue to apply the previous contract rates in the interim period until the new contract commences.
- 3.3 The 2016/2017 budget for the service is £265k.

The selection process

- 3.4 It is proposed that a supplier is appointed using the outcome of a further competition exercise carried out on behalf of London Local Authorities from a framework established by the Crown Commercial Service ("CCS").

The Framework

- 3.5 The CCS framework RM1063 Postal Goods and Services (the "Framework") commenced on 17th February 2015, and expires on 16th February 2018.
- 3.6 The process adopted by the CCS for the procurement of the Framework was based upon the Open (one-stage) tendering procedure under the Public Contracts Regulations 2006. An OJEU contract notice was placed in July 2014. This indicated that the Framework was a national one which would be open for use by all local authorities as well as some other public sector bodies. It was advertised as a 4-year framework agreement.
- 3.7 Seven different sub-lots were tendered, and each sub-lot was evaluated separately. A position on the Framework was awarded to the highest scoring suppliers in each of the sub-lots. Nine suppliers have been appointed to Lot 1: Collection and Delivery. An OJEU award notice was placed in May 2015 confirming the award.

The London Authorities' further competition exercise.

- 3.8 In June 2016, a group of 27 London local authorities led by the London Borough of Harrow on behalf of the London Boroughs Postal Board carried out a further competition exercise from the CCS Framework. Brent was

specifically identified in that further competition exercise as a body that was participating. Tenders were invited for Lot 1: Collection and Delivery.

- 3.9 The proposed contract end date will be the same for all participating authorities, and is set at three years from the earliest date that any authority would be able to enter into contract.
- 3.10 The instructions for the further competition under the Framework stated that contracts would be awarded on the basis of a 20% - 40% price and 60% - 80% quality weighting to determine the most economically advantageous tender. An overview of the evaluation criteria and weightings used for this further competition is provided in the table below:

Criteria	Section Weighting
Quality: Understanding of requirements	10%
Quality: Methodology for delivering the services	12.5%
Quality: Technical assistance during implementation	2.5%
Quality: Implementation plan including lead times	10%
Quality: After sales service	5%
Quality: Meeting security requirements	7.5%
Quality: Support to achieve environmental considerations	2.5%
Quality: Commitment to meeting SLAs and KPIs.	10%
Quality: Total	60%
Price	40%
Total	100%

- 3.11 The nine suppliers appointed to Lot 1 of the Framework were invited to tender, and of these one submitted a tender response.
- 3.12 The tender evaluation panel consisted of officers from the London Boroughs of Barnet, Brent, Camden, Ealing, Enfield, Greenwich and Tower Hamlets. From these boroughs, there were representatives from the service areas managing postal services and also procurement representatives. The details of the final evaluation scores are contained in Appendix 1, and prices in Appendix 2.
- 3.13 As the tender received met acceptable standards and price, officers therefore recommend the award of the contract to that tenderer, Royal Mail Group Limited.
- 3.14 Savings under the new contract on a like for like basis are estimated to be £21,000. There is also scope for increasing usage of the lower priced services in the contract by minimising handwritten envelopes and improving address formatting. If 50% of the current standard 2nd class mail were moved to a machine readable service such as advanced mail, the savings would be

approximately £4,880.00 per annum. There are also opportunities for the Council to make further savings by changing staff behaviours relating to the use of mail services. For example, if 50% of current 1st Class Mail were to be sent 2nd Class, approximately £9,960.00 per annum would be saved. Similarly, if 50% of A4 letters that are currently sent in A4 envelopes were folded and put into C5 or DL envelopes, approximately £2,900.00 would be saved. Royal Mail Group are keen to develop a strong relationship with the London Boroughs, and have the skills and resources available to assist the Council in identifying areas where such savings can be made. Their tender response commits to working with us, providing guidance and information to help us to make the changes that will generate the savings.

4.0 Financial Implications

- 4.1 The Council's Contract Standing Orders state that contracts for supplies, services and works exceeding £500k shall be referred to Cabinet for approval of the award of the contract.
- 4.2 The estimated value of the contract for Collection and Delivery of Mail is £242k per annum, and will vary depending on the volumes of outgoing mail. This is based on a £21k per annum savings on a like for like basis (£265k currently). Large mailouts for elections and consultations, for example, will increase the volumes substantially. Conversely, the increased use of digital methods of communication would reduce cost. Based on £242k per annum, the total value over the contract period is estimated at £696k.
- 4.3 It is important that the Council considers all means of reducing contract spend to meet existing procurement savings. The Council has a 10% minimum procurement savings target. Based on current volumes of mail, this is not possible, which strengthens the case for the need to reduce the amount of mail sent out by post and the need to change staff behaviour as outlined in 3.14.
- 4.4 It is estimated that annual cost reductions would be £21k and the changes to operating practices (as noted in 3.14 above) would achieve a further £18k of annual savings, reducing the contract value further. These savings would be delivered in 2017/18 and 2018/19 respectively. If, however, the Digital Board was successful in delivering channel shift quickly, then potentially more savings could be delivered.
- 4.5 There is no cost to the Council of using the Framework and there are no other associated costs of the contract.

5.0 Legal Implications

- 5.1 The estimated value of the proposed call off Contract is higher than the EU threshold for Services and the award of the contract is therefore governed by the Public Procurement Regulations 2015 (the "Procurement Regulations"). The award is subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations.

- 5.2 The Procurement Regulations allow the use of framework agreements and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full EU process.
- 5.3 The Council's Contract Standing Orders state that no formal tendering procedures apply where contracts are called off under a framework agreement established by another contracting authority, where call off under the framework agreement is approved by the relevant Chief Officer and provided that the Chief Legal Officer has advised that participation in the framework is legally permissible. Legal Services have reviewed the Framework and is able to confirm that participation in the Framework is legally permissible.

6.0 Equality Implications

- 6.1. The proposals in this report have been subject to scrutiny and officers believe that there are no equality implications.

Background Papers

London Boroughs Postal Board Invitation to Quote – Further Competition under Crown Commercial Service Framework RM1063 Lot 1.

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