



**Leader's Briefing**  
Monday 28 October 2013

**Report from the Strategic  
Director of Regeneration and  
Growth**

Wards affected:  
(ALL WARDS);

## **Authority to Award Contracts for Mail Services**

**Appendix 2 of this report is Not for Publication**

### **1.0 Summary**

- 1.1 This report requests authority to award contracts as required by Contract Standing Order No 88. This report summarises the process undertaken in selecting the supplier for the contracts and recommends to whom the contracts 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 contracts for mail 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 from 1<sup>st</sup> December 2013 with an option to extend from 1<sup>st</sup> December 2015 to 9<sup>th</sup> August 2016.
- 2.3 Approve the award of a contract for Hybrid Mail to Royal Mail Group Limited, for a period of two years from 1<sup>st</sup> December 2013 with an option to extend from 1<sup>st</sup> December 2015 to 9<sup>th</sup> August 2016.

### **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 Currently approximately two thirds of the Council's mail is delivered by TNT, with the remainder being dealt with by Royal Mail. TNT offer cheaper rates than the standard Royal Mail tariffs, but there are some services that they do not offer, such as 1<sup>st</sup> Class.
- 3.3 The Council commenced the use of the TNT service in April 2010 based on the rates available through a Government Procurement Service framework. That framework has now expired, and there is a need to put in place a new contractual arrangement.
- 3.4 The Council spent £215k on mail delivery in 2012/2013. The budget for the service in 2013/14 is £220k.
- 3.5 Hybrid mail is a service whereby outgoing letters are not printed, enveloped and posted by council officers, but are sent electronically to a hybrid mail service provider, who in turn prints, envelopes and delivers them. This reduces the costs of postage as the provider uses software that ensures that addresses are correct and mail is presorted for efficient delivery. The costs of the printing and enveloping are also low as this takes place on a large scale at out of town distribution centres. Sending out mail in this way will require organisational changes, and it is not planned to use this service in the short term. The contract will however include this in its scope, should Brent wish to use the service in the future.

#### *The selection process*

- 3.6 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 Government Procurement Service ("GPS").

#### *The Framework*

- 3.7 The GPS framework RM782 Mail Services (the "Framework") commenced on 10<sup>th</sup> August 2010, and expires on 9<sup>th</sup> August 2014. The rules of the Framework permit a contract called off from the Framework to run until a maximum of 2 years after the expiry date, i.e. 9<sup>th</sup> August 2016.
- 3.8 The process adopted by the GPS for the procurement of the Framework was based upon the Open (one-stage) tendering procedure under the EU rules. The services are Part A, and an OJEU contract notice was placed in

December 2009. 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.

- 3.9 Fourteen 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. Six suppliers were appointed to Lot 1: Collection and Delivery to Addressee, and eleven to Lot 10: Hybrid Mail. An OJEU award notice was then placed confirming Framework commencement on 10<sup>th</sup> August 2010 for 4 years.

*The London Authorities' further competition exercise.*

- 3.10 In April 2013, a group of 21 London local authorities led by the London Borough of Camden carried out a further competition exercise from the GPS Framework. Brent was specifically identified in that further competition exercise as a body that was participating. Tenders were invited for two of the GPS sub-lots: Lot 1: Collection and Delivery to Addressee and Lot 10: Hybrid Mail.

- 3.11 The instructions for the mini-competition under the Framework stated that contracts would be awarded on the basis of a 50% price and 50% quality weighting to determine the most economically advantageous tender. An overview of the evaluation criteria and weightings is provided in the table below:

<b>Criteria</b>	<b>Section Weighting</b>
Quality: Proposed Approach for Service Provision	<b>20%</b>
Quality: Method Statement	<b>15%</b>
Quality: Presentation	<b>5%</b>
Quality: Mission Statement	<b>1%</b>
Quality: Methodology Statement	<b>8%</b>
Quality: Proposals for Innovative Solutions	<b>1%</b>
<b>Quality: Total</b>	<b>50%</b>
<b>Price</b>	<b>50%</b>
<b>Total</b>	<b>100%</b>

- 3.12 The six suppliers appointed to Lot 1 and eleven suppliers appointed to Lot 10 of the Framework were invited to tender, and of these three submitted tender responses for Lot 1, and five for Lot 10.

- 3.13 The tender evaluation panel consisted of officers from the London Boroughs of Camden, Enfield and Islington. From these boroughs, there were

representatives from the service areas managing postal services and also procurement representatives. The details of the suppliers' final scores and prices are contained in Appendix 1. Following the tender evaluation process, Royal Mail Group Limited was the highest scoring supplier for both lots.

- 3.14 Given that Royal Mail Group Limited was the highest scoring supplier for both lots, Officers recommend the award of contracts in respect of Lot 1 and Lot 10 to the Royal Mail Group Limited. The council will use the Lot 1 services from the start of the contract, and may use the Lot 10 services in the future if it wishes to do so.
- 3.15 Under the rules of the Framework, the latest end date allowed for a call-off contract is 9<sup>th</sup> August 2016, which is two years after the expiry of the Framework. It is therefore proposed that the contracts with Royal Mail Group Limited are for a two year period, with a single possible extension for the part year to 9<sup>th</sup> August 2016.
- 3.16 In addition to the savings that will be generated as a result of the rates tendered by Royal Mail, there are 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 1<sup>st</sup> Class Mail were to be sent 2<sup>nd</sup> Class, approximately £9k 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 £3,200.00 would be saved. Minimising handwritten envelopes and correct address formatting will also save the Council money. 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. They will work with us, providing guidance and information to help us to make the changes that will generate the savings.
- 3.17 The appointment of Royal Mail Group Limited to provide all of the Council's mail services will reduce and simplify processes for the Council, due to the move from two suppliers to a single supplier.

#### **4.0 Financial Implications**

- 4.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £250k or works contracts exceeding £500k shall be referred to the Executive for approval of the award of the contract.
- 4.2 The estimated value of the contract for Collection and Delivery of Mail is £171k per annum and will vary depending on the volumes of outgoing mail. In particular, large mailouts for elections and consultations, for example, will increase the volumes substantially. Conversely, the increased use of digital methods of communication will result in a decrease in volumes. Based on £171k per annum, the total value over the contract period is estimated at £460k.

- 4.3 It is estimated that annual savings, based on the 2012/13 usage of like for like services, will be £49k
- 4.4 Approval is also sought to award a contract for Hybrid Mail. As detailed in paragraph 3.5, sending out mail in this way will require organisational changes, and it is not planned to use this service in the short term. Subject to such organisational changes however, the value of this contract may exceed £250k over the term of the contract and therefore Executive approval is sought to award this contract also.
- 4.5 The cost of the contracts will be funded from existing postage budgets.
- 4.6 There is no cost to the Council of using the Framework and there are no other associated costs of the contracts.

## **5.0 Legal Implications**

- 5.1 The estimated values of the proposed call-off Contracts for lots 1 and 10 are higher than the EU threshold for Services and the award of contracts is therefore governed by the Public Procurement Regulations 2006 (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 Director of Legal and Procurement 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.
- 5.4 Whilst Royal Mail has recently been privatised, this does not affect the proposed award of the call-off contracts to Royal Mail Group Limited. Royal Mail Group Limited was appointed by the GPS to the Framework in 2010 and this legal entity continues to exist following privatisation.

## **6.0 Diversity Implications**

- 6.1 The proposals in this report have been subject to scrutiny and officers

believe that there are no diversity implications.

## **7.0 Staffing/Accommodation Implications**

- 7.1 The services are currently provided by external contractors and there are no implications for Council staff arising from the procurement of these services.

### **Background Papers**

London Authorities Collaboration Invitation to Tender - Further Competition under GPS Framework RM782 Mail Services Lots 1 and 10.

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