
REPORT FOR: CABINET

Date of Meeting:	17 November 2016
Subject:	Contract for Postal Services
Key Decision:	Yes
Responsible Officer:	Terry Brewer Divisional Director of Commercial, Contracts and Procurement.
Portfolio Holder:	Councillor Adam Swersky Portfolio Holder for Finance, Commercialisation & Major Contracts. Councillor Kiran Ramchandani Portfolio Holder for Performance, Corporate Resources & Policy Development.
Exempt:	No but Part II Appendix – Exempt by virtue of Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 - Postal Services Award Evaluation Appendix 2- Postal Services Award Pricing (Exempt)

Section 1 – Summary and Recommendations

This report requests authority to award a contract for the provision of Postal Services, as required by Paragraph 6.4 of the Contract Procedure Rules.

This report summarises the procurement process undertaken for this contract and recommends that the contract should be awarded to Royal Mail Group Limited.

Recommendations:

Cabinet is requested to:

Approve the award of a contract to Royal Mail Group Limited for the Collection and Delivery of Mail to commence 1 December 2016 until 30 November 2019 with an option to extend for 9 months and 15 days, to 15th September 2020.

Reason: (For recommendation)

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 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. Royal Mail will hold existing contract prices until the end of November 2016.

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.

Introduction

1. 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 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.
2. 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 mini competition exercise using a Crown Commercial Service (CCS) Framework agreement for Postal Goods and Services.

Harrow was specifically identified in that further competition exercise as a body that was participating.

3. The CCS framework RM1063 Postal Goods and Services (the “Framework”) commenced on 17th February 2015, and expires on 16th February 2018. 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.
4. 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.
5. The instructions for the further competition under the CCS 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.

London Boroughs’ Procurement Process

6. To meet the needs of the participating London Boroughs, tenders were invited for Lot 1: Collection and Delivery.
7. The nine suppliers appointed to Lot 1 of the Framework were all invited to tender, and from these invitations only one submitted a tender response.
8. 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%

9. The tender evaluation panel consisted of officers from the London Boroughs of Harrow, Barnet, Brent, Camden, Ealing, Enfield, Greenwich and Tower Hamlets. From these boroughs, there were representatives from the service areas managing postal services and procurement representatives. The details of the final evaluation scores are contained in Appendix 1.

Savings

10. The rates in the new contract are broadly similar to those in the current contract therefore direct savings are modest. Appendix 2 shows the current unit prices compared to the new prices obtained through the tender process. Based on our current volumes, the Council's savings are £1.6K per annum. These savings are based on mail being sent through the post room and not the Council's total expenditure with Royal Mail.
11. This is a demand led service and the requirement for these services invariably fluctuates year on year impacting on costs. Notwithstanding this, work will be undertaken to seek to achieve additional savings through the following activities:-
 - i) moving 50% of the current standard 2nd class mail to a machine readable service such as advanced mail; this would enable savings of approximately £2K per annum;
 - ii) changing staff behaviours relating to the use of mail services. For example, if 50% of A4 letters that are currently sent in A4 envelopes were folded and put into C5 or DL envelopes, a total of approximately of £3.5K would be saved per annum; and
 - iii) ensuring that all Council mail is sent via the post room and not by individual service areas.
12. Officers will work with Royal Mail to assist to make the changes to seek to generate the above savings opportunities.

Legal Implications

13. The estimated value of the proposed contract exceeds the current EU Threshold of £164, 176 for services, therefore the procurement of the services is governed by the Public Procurement Regulations 2015 (the "Regulations").
14. The Regulations are observed if the Council appoints a Supplier from a Framework established under the Regulations. A supplier from a framework can be appointed either by the Council making a direct award or by a mini competition. The report states in paragraph 7 that the selection of Royal Mail Group was made using a mini competition.
15. The current contract for the services expired on the 10th September 2016 and the report states the new contract will commence on the 1st December 2016. A contract still exists as the current supplier is

providing the service and the council is paying for that service. The Council is therefore at risk of challenge under the grounds of ineffectiveness, for permitting the current supplier to continue to provide the service when the contract expired, without making an award. However the report states the new contract will commence on the 1st December 2016, therefore it is unlikely that a third party supplier would consider making a challenge.

- 16 Legal Services have reviewed the Framework and is able to confirm that participation in the Framework is legally permissible.

Financial Implications

- 17 The Council's Contract Procedure Rules state that contracts for supplies, services and works exceeding £500,000 shall be referred to Cabinet for approval of the award of the contract. The 2016-17 Council wide budget for all postage (including the Royal Mail contract) is £318k. This includes other postage costs not associated with this contract.
- 18 The estimated value of the contract for Royal Mail Collection and Delivery, based on the average spend with Royal Mail over the past 4 years is £250k per annum. The £250k contract value covers postage via the Royal Mail contract, whereas the £318k budget covers all postage across the borough, some of which is routed via alternative mail service providers. The cost that will be incurred by services is dependent on the volumes of outgoing mail. In particular, large mail outs 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.
- 19 The cost of the contract is to be funded from existing postage budgets. There is no cost to the Council of using the Framework and there are no other associated costs of the contract.

Environmental Impact

- 20 There are no direct environmental impacts anticipated from the recommendations contained within this report.

Risk Management Implications

- 21 Risk included on Directorate risk register? No
Separate risk register in place? Yes

Equalities implications

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

Corporate Priorities

- 23 The completion of a procurement process will ensure the Council's is complying with our statutory obligations.

Section 3 - Statutory Officer Clearance

Name: Hadiza Okuboyejo	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 10/10/2016		
Name: Laretta Faulkner	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 14/10/2016		

Ward Councillors notified:	NO
EqIA carried out:	NO
EqIA cleared by:	

Section 4 - Contact Details and Background Papers

Contact:

Terry Brewer (Divisional Director - Commercial, Contracts & Procurement)
Tel: 020 8416 8442
Email: terry.brewer@harrow.gov.uk

Background Papers:

None

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies]</i>
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