

23 May 2016

**Wards:** All Wards

Provision of Postal Services
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**Report of the Procurement Manager**

This item is not exempt  
Therefore exempt reasons are not applicable

This is a Key Decision

This is a key decision. The matter is in the Forward Plan  
Forward Plan Reference Number

1. Purpose of the Report and Summary

- 1.1 To seek approval from Cabinet to call-off from the regional framework for Postal Services once the regional procurement exercise has been concluded.

2. Recommendations

- 2.1 That Cabinet agree to award a contract for the future delivery of Postal Services via a call-off of services from the newly let regional framework contract for Postal Services following expiry of the Councils current Postal Services contract and that delegated authority is given to the City Manager for Property & Assets in consultation with the Town Clerk and the Portfolio Holder for Business Support & Change to enter into the new contract.

3. Reasons for Recommendations

- 3.1 23 authorities across the Yorkshire & Humber region and the Association of Greater Manchester Authorities (AGMA) are collaborating on this procurement exercise, to run a further competition from the existing Postal Goods & Services framework contract which was procured collaboratively by the Crown Commercial Service (CCS), Yorkshire Purchasing Organisation (YPO) and Eastern Shires Purchasing Organisation (ESPO).

By running a competitive tender exercise through an existing framework with the aggregated volumes involved across all of the authorities will ensure that Hull City Council achieves best value for its Postal Services.

4. Impact on other Executive Committees (including Area Committees)

4.1 This is a Citywide contract and has no impact on any one particular Area Committee.

5. Background

5.1 The current contract for Postal Services expires August 2016. This is a corporate wide contract with a centralised budget. Spend for the last financial year is as follows:

➤ Whistl	£552,196.82
➤ Pitney Bowes Ltd	£75,573.92
➤ Royal Mail	£31,336.94
➤ DX Network Services	£2,200.39
Total =	<u>£661,308.07</u>

This consists of spend across various types of mailings (e.g. 1<sup>st</sup> and 2<sup>nd</sup> class mail, freepost response service mailings, bulk mailings, franked mail, special delivery and recorded mailings). Royal Mail is currently the only supplier which can undertake certain elements of these mailings and therefore a percentage of the centralised budget will always show spend against Royal Mail.

In addition the Council has requirements to use various local external mailing houses for large bulk mailings (e.g. electoral polling cards, waste management yearly sticker campaigns, housing rent cards and rent statements etc). Sortations required will be agreed with the external mailing house, as the weights and sortation cannot be determined until that time. Once the sortation has been decided the bulk mailing price is then agreed. As an example electoral polling cards are printed by the external mailing house in order of postcode delivery to enable a more cost effective price to be obtained for postage, and the sortation has already been undertaken prior to mailing. Agreements are currently in place with all external mailing houses to ensure they utilise the Councils existing contracted provider for postal services and obtain the most competitive price for the bulk mail out.

The post room has recently procured a new franking machine through a national framework agreement which was awarded to Pitney Bowes. Credit is purchased from Pitney Bowes for the franking machine which is used to send out mail which is hand written and classed as 'unclean'. Pitney Bowes would then credit Royal Mail in line with their current postal rates.

DX Services are the provider for the Councils document exchange service and this is an annual cost for the provision of a drop off box for sending out and receiving in the safe exchange of documents, which may otherwise prove costly to mail out.

- 5.2 CCS, YPO and ESPO collaboratively procured a framework contract for Postal Goods & Services which has been tendered in accordance with EU Procurement Regulations. Among the lots available on the contract are LOT 1 (Collection from the Council and delivery to addressee). The 23 Councils in the Yorkshire & Humber region and AGMA determined that this would be the most appropriate route to market, via means of a collaborative further competition, to include the mail profiles of each individual authority.
- 5.3 Suppliers on the framework have been engaged in pre tender sessions to help develop the specification, as well as understand the impact on any recent or future changes.

## 6. Issues for Consideration

- 6.1 Through approaching the market collaboratively with aggregated volumes will ensure value for money is obtained, as it is highly unlikely that Hull City Council would be able to obtain better postal rates through tendering the contract by ourselves.
- 6.2 Any mail collected with a HU post code will be taken to the nearest Royal Mail Inward Mailing Centre (IMC) before coming to the local delivery office in Hull. Currently Hull do not have a local IMC and there will always be a requirement for Royal Mail to deliver the 'final mile' as there is no other provider currently in the market which is able to do so, within our local area.
- 6.3 The collaborative further competition evaluation criteria has to be set in line with the framework contract tolerance which is as follows:

60% Quality

40% Price

Quality assessment questions will focus on:

- Implementation 8%
- Delivering Required Services 15%
- Contract Management 17%
- Proposals for Innovative Solutions 10%
- Social Value 10%

- 6.4 It is expected that the collaborative procurement exercise will be concluded by July 2016.

## 7. Options and Risk Assessment

- 7.1 Option 1 – Award a contract via means of a direct call-off to the successful provider of the collaborative procurement exercise for Postal Services upon expiry of the Councils existing contract in August 2016, if the conclusion of the collaborative procurement exercise determines best value for Hull City Council. This would be the recommended option.
- 7.2 Option 2 – Undertake our own EU procurement exercise using evaluation criteria which we can determine ourselves, without having to adhere to the evaluation tolerances set within the CCS, YPO and ESPO collaborative framework contract. There is an increased risk of challenge if this option was undertaken, as well as the increased timescales to undertake a full EU procurement exercise. It is almost certain that we wouldn't be able to achieve the most competitive postal rates, as we would be approaching the market with the aggregated volumes involved in the collaboration.

## 8. Consultation

- 8.1 Consultation has taken place with the Post & Workflow Manager, Procurement and Legal colleagues, as well as colleagues across the Yorkshire & Humber region.

## 9. Comments of the Town Clerk (Monitoring Officer)

- 9.1 The Council are subject to a general duty to make arrangements to secure continuous improvements in the way functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Under the Public Services (Social Value) Act 2012 the wider parameters of that duty in terms of Social Value are made explicit requiring the Council to consider:

- How what is procured may improve the economic, social and environmental well-being of the area
- How in conducting the process of procurement the Council might act with a view to securing that improvement

Use of the proposed framework contract which has been

procured in accordance with EU Procurement Law supports the achievement of Best Value as significant aggregate spend of the public sector is being progressed through the tender process. The included focus upon quality including social value is consistent with the criteria in the Public Services (Social Value) Act 2012.

10. Comments of the Section 151 Officer

10.1 The report sets out a persuasive case explaining why the recommended approach is likely to lead to the best available value for money being achieved.

11. Comments of HR City Manager and compliance with the Equality Duty

11.1 There are no staffing or equality issues associated with continuing to tender for this service

12. Comments of Overview and Scrutiny

12.1 This report is due to be considered by the Finance and Value for Money Overview and Scrutiny Commission on Friday, 13th May, 2016. Any comments or recommendations agreed by the Commission will be tabled at Cabinet on Monday, 23 May, 2016. (Ref. Sc4577)

13. Comments of the Portfolio Holder

13.1 I agree with the use of the framework and support the report.

14. Comments of the Climate Change Advisor

14.1 The environmental and sustainability elements included in the Framework for Option 1 are very positive and welcome. However, the situation that the environmental performance of the supplier and how they will reduce impacts on the environment is not included as an evaluation criteria is a weakness. Thus there appears to be no evaluation criteria for understanding how they will reduce the impact on the environment or seek to further reduce it over the life of the contract. The tender does not state any specific areas that we would like to see targeted for minimising environmental impacts e.g. travel. Therefore I would recommend that the Council, if Option 1 is approved, works with the other authorities to ensure that this issue is addressed in the current tender. If that is not possible, due to time constraints or other issues, then the Council should seek to have this addressed for the renewal of the postal service contract at the end of the contract period requested in the Report regardless of

the procurement route chosen at that time. If Option 2 is approved then the issues raised above should be included in the tender.

**Report Author**

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Contact Officer: Andrea Tether Telephone No: 615135

Officer Interests: None

Background Documents: - Regional tender documentation

## Implications Matrix

**This section must be completed and you must ensure that you have fully considered all potential implications**

This matrix provides a simple check list for the things you need to have considered within your report

If there are no implications please state

I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc prior to submitting this report for official comments	Yes
I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council	Yes
Value for money considerations have been accounted for within the report	Yes
The report is approved by the relevant City Manager	Yes
I have included any procurement/commercial issues/implications within the report	Yes
I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.	No
I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities Impact Assessment and the outcomes are included within the report	No
Any Health and Safety implications are included within the report	Yes
Any human rights implications are included within the report	No
I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report	No
I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are	Yes

included within the report	
I have included information about how this report contributes to the City Plan/ Area priorities within the report	Yes