

PROCUREMENT OF CORPORATE MAIL SERVICES

Submitted by: Executive Director, Resources & Support Services

Portfolios: Communications, Transformation and Partnerships/Finance and Budget Management

Ward(s) affected: Non Specific

Purpose of the Report

To inform Cabinet of the outcome of the tendering process for the provision of corporate mail services and to obtain Cabinet approval for the appointment of the successful contractor, subject to the satisfactory outcome of a pilot exercise.

Recommendation

That a contract be issued to UK Mail (the successful provider) for a period of 2 years with the option to extend to August 2016, subject to the completion of the pilot exercise of up to 6 months duration, for the delivery of corporate mail services.

Reasons

- (a) A review of current mail services has resulted in a procurement exercise being undertaken through the Government Procurement Services (GPS) Framework; the overall aim of which is to streamline the process of sending out corporate mail to ensure that the most cost effective and process efficient methods are being used.
- (b) The proposed contract will realise savings on current postal costs through working collaboratively with partners.

1. Background

- 1.1 The Council currently utilises Royal Mail for the collection, transport and delivery of mail with an annual expenditure in the region of £129,400 per annum (p.a.) on post; with a further £5,300 p.a. spend on priority mail with DX¹ Services. This total expenditure is spread across three main areas: Central Mail Services (Customer Services), Revenues & Benefits, Elections and Licensing.
- 1.2 Historically Royal Mail has been the monopoly provider of letter delivery. However, since the Postal Services Act 2000, the mail market has opened to other service providers. In January 2006, the final restrictions were removed and as a result, no part of the postal market is now reserved for Royal Mail alone, subject to an alternative operator having an operating licence from Ofcom.
- 1.3 Since then GPS have established a suite of Postal Services framework agreements for use by local and central government which have been used in this case. However, it was recognised early on that greater savings could be achieved by aggregating volumes through working with other councils to reduce costs. Therefore a joint Invitation to Quote, under the GPS Framework, was produced for the Provision of Mail Services by Newcastle Borough Council acting on behalf of a partnership with Stafford Borough Council, Cannock Chase

¹ DX is a mail alternative to 2nd class post. It is cheaper as we pre-sort mail and place it in DX sacks, rather than frank items.

District Council and East Staffordshire Borough Council, with a closure date of 28 September 2012.

- 1.4 Tenders were received from two providers², and the partnership authorities undertook an evaluation exercise based on a price:quality split of 70:30. An officer from each partner authority was involved in the evaluation of submissions, supported by 'Improvement & Efficiency West Midlands' who managed the electronic tendering process.
- 1.5 The results of the evaluation were as follows:

Evaluation Criteria	Tenderer 1 Scoring	UK Mail Scoring
Price (70 points)	62	70
Quality (30 points)	22.7	17.9
Total:	84.7	87.9

This equates to a difference of 3.2 in favour of UK Mail.

- 1.6 Subject to approval, the contract term will be for a period of 2 years with the option to extend to August 2016, which is the end date of the current GPS framework agreement.

2. **Issues**

- 2.1 The Council's current total corporate mail expenditure includes the lease, maintenance and postal charges for three separate franking machine contracts, housed at the Civic, Crematorium and Cemetery offices. It is not intended at this stage to remove the franking machines at the Crematorium and Cemetery offices as these are low cost items, and are currently under agreement with the provider until late 2014. However, the franking machine at the Civic offices has been deliberately let on a short term basis with a view to termination of that agreement. The successful tenderer will introduce processes that remove the requirement for the franking machine and associated costs, providing a saving of approximately £5.7K in the first year.
- 2.2 It is anticipated that the pilot will take place in all three areas - Central Mail Services (Customer Services), Revenues & Benefits, Elections and Licensing - over a period of up to 6 months from February 2013 to July 2013.
- 2.3 Future work will include the potential to reduce the number of licences and the evaluation of hybrid mail³ to try to identify further savings for the Authority.

3. **Outcomes linked to Sustainable Community Strategy and Corporate Priorities**

- 3.1 The outcome supports becoming a cooperative council delivering high quality community driven services, through providing a postal solution that maintains and supports sustainable communications with our community on behalf of the Authority.

² The Council's current provider (Royal Mail), whilst being listed within the framework, did not submit a tender proposal as it is bound by fixed pricing within the market.

³ Hybrid Mail is an electronic-based postal service. The sender posts the original message in either hard copy or electronic form. This means that you can produce a letter, invoice etc and have a choice on how it is sent out; either by printing it yourself and incurring postal costs locally, or via your pc by sending it directly to a provider over the internet which they then process and convert into a letter post item for physical delivery to the addressee. Costs savings can be made by electing to send most items electronically thereby reducing costs such as printing, enveloping, and transporting.

4. **Legal and Statutory Implications**

4.1 The recommendation is made in accordance with the Council's internal rules set out in the Constitution and with the European Procurement Rules and the UK regulations.

5. **Equality Impact Assessment**

5.1 An equalities impact assessment was undertaken at the initial tendering (Pre-qualification) stage prior to including successful providers on the Government Procurement Services (GPS) (RM782) Framework.

6. **Financial and Resource Implications**

6.1 The proposed contact provides saving of approximately £35.5k per year on current external postage costs, and £5.7K on franking machine costs at the Civic offices.

6.2 Internally, the post volumes are managed from 3 distinct locations/services areas: Central Post Room; Revenues & Benefits and Elections and Licensing. Officers from Customer and ICT Services will be responsible for managing the contract once awarded.

7. **Major Risks**

7.1 Risks have been identified associated with the transfer of the postal service to a new provider which in summary are:

- Operational issues in transferring the service to a new provider
- Provider not achieving consistent quality of service to Council/Contract requirements

A full Risk Log is available on request.

8. **Earlier Cabinet Resolutions**

There are none.

9. **Background Papers**

There are no background papers linked to this report, albeit a copy of the Invitation to Quote and combined specification as part of the tendering process can be made available to the reader if required.