



Haringey Council

Report for:	Cabinet	Item Number:	
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Title:	First and Second Class Postal Services: Award of Contracts
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Report Authorised by:	Director of Place & Sustainability
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Lead Officer:	Richard Le Donne, 020 8489 1157, Richard.ledonne@haringey.gov.uk
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Ward(s) affected: All	Report for Key/Non Key Decisions: Non Key Decision
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1. Describe the issue under consideration

1.1. The award of contract for the provision of First Class and Second Class post.

2. Cabinet Member Introduction

2.1. The proposed contract provides the Council with savings in line with the Council's priority of delivering value for money.

2.2. I concur with the recommendations set out in this report.

3. Recommendations

3.1. That a contract for First Class and Second Class post be awarded to Royal Mail Group Ltd for a period of two years.



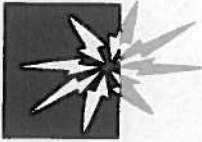
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4. Alternative options considered

- 4.1. Currently Royal Mail is the only postage carrier that is licensed to provide a First Class postal service; therefore the alternative option for First Class mail would be to remain at standard business rates provided by Royal Mail.
- 4.2. The Council could have undertaken its own EU tender process for the provision of Second Class postal services. However since the service to be procured is relatively simple it was considered more cost efficient to procure jointly with other authorities rather than undertaking our own process.

5. Background information

- 5.1. The Council sends approximately 500,000 items of post per year. The split between First Class items and Second Class items for the last financial year (2012-13) was 30% First Class to 70% Second Class.
- 5.2. First class, Special Delivery and Recorded Delivery items are sent by Royal Mail Group Ltd at standard business rates. Second Class post is provided by TNT UK Post Ltd via the Government Procurement Service Postal Services framework agreement (RM782).
- 5.3. The total spend on postal services is approximately £220k per year.
- 5.4. Earlier this year the London Borough of Camden led a London-wide procurement for the provision of both First Class and Second Class post, via a mini-competition under the Government Procurement Service (GPS) framework agreement RM782. The Council was named in the procurement process and therefore the use of the final contract is available to Haringey.
- 5.5. The successful bidder, Royal Mail UK Ltd, was selected for the Pan London contract across both First Class and Second Class postal services.
- 5.6. Based on the breakdown of post into the different mail tariffs available the predicted annual spend on current prices is £228k (£146k Royal Mail, £82k TNT; see Appendix B for details). The predicted annual spend on proposed prices is £195k (or an estimated £390k over the two year contract period; see Appendix B for details). This equates to savings of approximately £31k per year (£18k First Class + £13k Second Class).
- 5.7. Haringey is not obligated to use all services (i.e. First and Second Class post) under the contract. The Council will therefore be investigating the possibility of receiving greater value for money in relation to its Second Class franked post through further competition of this service.



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6. Comments of the Chief Finance Officer and financial implications

6.1. The proposed savings should contribute to achieving the Council's overall Medium Term Financial Strategy.

7. Head of Legal Services and legal implications

7.1. The report is seeking approval for the Council to award a contract for postal services valued at some £378K to Royal Mail UK Ltd. These services are Part A services valued above the EU threshold for tendering of £173,934. As a result, the full EU tender regime applies.

7.2. However, under Contract Standing Order (CSO) 7.01 and EU rules, the Council may procure services without tendering as part of a group of public sector bodies contracting with a contractor once the procurement is done under the CSOs of one of the bodies in the group (see CSO 7.01(a)) and also by selecting a provider from a framework or similar arrangement set up by a public sector body under their standing orders or EU procurement rules (see CSO 7.01(b)).

7.3. The recommendation in paragraph 3.1 of this report is for the Council to procure services based on a procurement carried out by Camden Council on behalf of a pan-London group of authorities, including this Council, named as intended users of the services. The procurement was by way of a mini-competition under a framework for postal services set up by the Government Procurement Service (GPS) which allows for local authorities to use it. As a result, this Council may rely on the selection of a provider made by Camden Council under its CSOs from the GPS framework.

7.4. Because the value of the proposed services is over £250K, under CSO 9.07.1(d), the award of the contract must be made by Cabinet.

7.5. There are no legal reasons preventing Members from approving the recommendation in paragraph 3.1 of this report.

8. Equalities and Community Cohesion Comments

8.1. Not Applicable

9. Head of Procurement Comments

9.1. The postal service for letters remains regulated in that the Royal Mail Group Ltd is the only licensed provider of First Class Post.

9.2. Whilst Second Class postal services have been deregulated, the market is still developing and currently there are a limited number of providers having the capability and capacity to offer an alternative Value for Money service to that of Royal Mail.



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9.3. The overall saving to the Council based on projected volumes would be £31k p.a.

10. Policy Implication

10.1. The implementation of the contract recommended in this report will provide value for money to the Council, in line with the Council's priority under the Corporate Plan of 'Delivering responsive, high quality services and encouraging residents who are able to help themselves to do so'.

11. Reasons for Decision

11.1. The change in contracts for postal services will produce significant savings and therefore provides better value for money than the current arrangements.

12. Use of Appendices

12.1. Appendix A – current and projected volumes.

12.2. Appendix B - current costs and savings associated with the new contracts.

13. Local Government (Access to Information) Act 1985

13.1. The report contains exempt information. Exempt information is contained in Appendix B and is not for publication. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972):-

S(3) Information relating to the financial or business affairs of any particular person including the authority holding the information.

Appendix A – Current and projected volumes

Table 1 – Volumes of mail sent via Royal Mail and projected figure for 2013-14

	6 months actual volume			Full year projected volume
	Q1 2013	Q2 2013	Total	2013-14
1st Class Large Letter				
0-100g	2336	2412	4748	9496
101-250g	2089	2211	4300	8600
251-500g	693	503	1196	2392
501-750g	106	93	199	398
1st Class Letter	34193	37298	71491	142982
1st Class Medium Parcel				
0-1kg		3	3	6
1-2kg		3	3	6
2-5kg		1	1	2
1st Class Small Parcel				
0-1kg		31	31	62
1-2kg		1	1	2
2nd Class Large Letter				
0-100g	2084	1273	3357	6714
101-250g	1088	975	2063	4126
251-500g	299	223	522	1044
501-750g	87	28	115	230
2nd Class Letter	9090	9231	18321	36642
2nd Class Medium Parcel				
1-2kg		1	1	2
2nd Class Small Parcel				
0-1kg		4	4	8
1-2kg		6	6	12

Table 2 – Volumes of mail sent via TNT and projected figure for 2013-14

	6 months actual volume			Full year projected volume
	Q1 2013	Q2 2013	Total	2013-14
Flex Letter	25505	19282	44787	89574
Flex Large Letter	98	37	135	270
All Sort Letter	57993	32176	90169	180338
All Sort Large Letter	80	348	428	856
Small Packet	10	4	14	28

