

	<h2>Policy and Resources Committee</h2> <h3>9 July 2015</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Royal Mail 1 year Contract Extension</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Claire Symonds – Commercial and Customer Services Director</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>None</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Simon Hime, Document Centre Manager, 020 83592046</p>

## Summary

The Council is currently operating a postal contract with Royal Mail which, started in September 2013. This has the option to extend for a further year. It was a jointly procured contract, with 14 other London Borough, through (at the time) the Government Procurement Service. The underlying aim was that pooling all postal volumes would secure a far greater discount offering than could be offered by a stand- alone contract.

This contract has been working very well, with savings in 2014/15 in excess of £75,000. The Council already have the authority via the Corporate Procurement Forward plan 2015/16 to re-engage (with the London Boroughs Postal group), a new contract via Crown Commercial Services. This process is envisaged to start in January 2016.

This report asks that the Committee approve an extension to the existing Postal contract for a year to provide business continuity while a re-tender process gets underway.

## Recommendations

That the Committee approve the extension for a further year from 1<sup>st</sup> September 2015, to continue arrangements with the existing supplier, Royal Mail.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 In September 2013, The Council entered into a contract with Royal Mail for a period of 2 years. The authority was given via a DPR Cabinet Member report. The Council had the option to extend this contract for a year.
- 1.2 A collaboration called the London Postal Group came together, made up from 14 London Boroughs, to consolidate their postage spend and commence a mini-competition for postal services via the GPS 782 framework. The underlying thesis was that combining all post volumes would secure good savings for all the councils involved.
- 1.3 As a London group, it was decided to extend this contract for a further year which will provide business continuity while a re-tender process gets underway early in 2016.
- 1.4 The Council has already secured authority to enter into negotiations for a new contract via the Corporate Procurement forward plan 2015/16, approved on 13 January 2015. It is therefore requested that in order to ensure continuity of service and to enable the council to carry out an effective procurement exercise resulting in best value contracts, the Committee approve the decisions contained in this report.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 As it was procured by a collaboration of London Boroughs, the group were unsure whether it would want to extend the contract beyond the original term. We had the option of a one year extension which the Group have decide to utilise.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The Council are seeking authority to extend an existing contract procured through the Government Procurement service, the procurement of the original Postal contract was carried out in accordance with EU public procurement rules and the Council's Contract Procedure Rules, as a new procurement exercise is not be started until early 2016 this is the only option available at this time.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The Council have secured authority to re-tender the Postal Contract, which will start early in the new year, with a planned contract start date of September 2016.
- 4.2 The Mailroom service will continue to achieve the savings as described with no disruption to service.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Corporate Plan, 2013/14-2015/16 includes the following strategic objective:-

1. To create the right environment to promote responsible growth, development and success across the borough.

5.1.2 By having access to appropriate, cost effective and fit for purpose contracts, the Mailroom can support all Service Areas within the Council to ensure that residents and businesses are supported and grow sustainably.

## 5.2 **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 The approximate spend with Royal Mail for the 1 year extension is £400,000. This spend is covered by all Services Area post budgets.

This post contract works on costs per item, on actual volumes. Hence if the volume of post decreases due to services finding alternative ways to communicate, the spend and savings figures will drop accordingly. The Council are currently posting approximately 120,000 items per month, this includes, first and second class, large letters and parcels, recorded and special deliveries.

The Council are continuing to encourage services areas to present their post in a better condition, and improving the quality of the post that is sent to Royal Mail, will achieve higher savings.

## 5.3 **Legal and Constitutional References**

5.3.1 The council's Constitution - Appendix A to Responsibilities for Function, states that Policy and Resources Committee is responsible for the "overall strategic direction of the Council including Corporate Procurement."

And to authorise procurement activity within the remit of the Committee and any acceptance of variations or extensions if within budget in accordance with the responsibilities and Responsibility for Functions – Annex A – May 2015 thresholds set out in Contract Procedure Rules

5.3.2 The Contract Procedure Rules, paragraph 14.1 states that Regulation 72 of the Public Contracts Regulations 2015 permits an amendment, extension or renewal of an existing Contract without triggering a new Procurement exercise. Para 14,6 states any Acceptance of that extension needs to be in accordance with Appendix 1 Table, which requires acceptance by the Policy and &Resources Committee.

## 5.4 **Risk Management**

5.4.1 The failure to extend the contract will expose the council to higher market rates, and lose the economies of scale by collaborating with many London Boroughs, which will have an impact on existing Council Budgets.

5.4.2 There is no change to the existing supplier base, therefore, I do not foresee any major issues to arising from this extension.

## 5.5 **Equalities and Diversity**

5.5.1 The Under the Equality Act 2010, the Council and all other organisations exercising public functions on its behalf must have due regard to the need to:

a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;

b) advance equality of opportunity between those with a protected characteristic and those without;

c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; religion or belief; sex; sexual orientation; race. It also covers marriage and civil partnership with regard to eliminating discrimination.

5.5.2 The supplier, Royal Mail, has been approved as a supplier of postal services by the Government Procurement Service (GPS), a Public Procurement Consortia set up by Central Government to provide framework contracts and guidance for Public Contracting Authorities. Part of the selection and evaluation process involved equality and diversity in service delivery. Royal mail met the GPS's criteria and was appointed to the framework.

## 5.6 Consultation and Engagement

5.6.1 None

## 6. BACKGROUND PAPERS

6.1 The approval for the original Postal contract

<http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?ID=5247>