

<b>Cabinet Meeting</b>		<b>Agenda Item 10</b>
<b>Meeting Date</b>	25 May 2016	
<b>Report Title</b>	Outgoing post distribution – award of contract	
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance	
<b>SMT Lead</b>	Mark Radford	
<b>Head of Service</b>	Anne Adams	
<b>Lead Officer</b>	Debbie Hardy	
<b>Key Decision</b>	Yes	
<b>Classification</b>	Open	
<b>Forward Plan</b>	<b>Reference number:</b>	
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1 That this report amends the previous decision taken by Cabinet on 2 March 2016,</li> <li>2 That the Council enters into a contract with Whistl Ltd for the outgoing distribution of post from Swale House for a period of four years from 1 July 2016 at an estimated total contract value of £460,000.</li> <li>3 To authorise the Head of the Legal Partnership, in consultation with the Head of Property Services and the Cabinet Member for Finance, to undertake all steps in relation to negotiating and entering into the contract and to sign the contract.</li> </ol>	

## **1 Purpose of Report and Executive Summary**

- 1.1 This report provides details of the current and proposed arrangements for outgoing post distribution from Swale House and recommends that members approve the proposal to enter into a contract with Whistl Ltd for a term of four years.
- 1.2 It supersedes the decision taken by Cabinet on 2 March 2016 to enter into a contract with a different supplier. This is because, during the negotiation stage, it became apparent that the supplier could not deliver the service stated in its submission. Further details are contained within the body of this report.

## **2 Background**

- 2.1 Prior to 2010 all outgoing post was handled by Royal Mail and put through the franking machine in the Post Room. When the Swale Ashford Property Partnership commenced an opportunity was identified to “bolt on” to an existing contract between

Ashford Borough Council and TNT Post which had been procured by Ashford through a compliant process. TNT Post agreed to provide the same service for SBC and at the same rates as those paid by Ashford. This delivered significant cost savings for SBC and the arrangement has continued to the present day. Around 80% of all post is sent via TNT Post (now known as Whistl)

- 2.2 The current arrangement does not include a “next day” service so Royal Mail 1st class post has continued to be used for post that needs to be delivered the following day. This has meant that the franking machine has been retained and is still used for this purpose. This accounts for around 20% of the post at an annual cost of around £59,000.
- 2.3 Whilst the current arrangement came about through a compliant procurement process carried out by SBC’s then partner, no formal contract was put in place with TNT Post.
- 2.4 Research was carried out into national framework agreements and we became aware that a new framework was in the process of being set up by a consortium comprising Crown Commercial Services, Yorkshire Purchasing Organisation (YPO) and Eastern Shires Purchasing Organisation (ESPO). We expressed an early interest in this and it was formally launched in March 2015. The details of the framework were received in August 2015 following which an internal consultation was commenced to ensure that the framework would meet the Council’s needs.
- 2.5 Within the framework, there are two methods for proceeding to contract – (1) direct award, and (2) further competition. It was decided that using the further competition approach was most appropriate as it provided an opportunity to prepare a statement of requirements to ensure that the provider supplies a bespoke service that meets the Council’s needs.
- 2.6 The further competition exercise was carried out using the Kent Business Portal e-procurement approach. Nine suppliers were eligible to tender although several of these do not currently operate in this area and one failed to respond due to a lack of communication within their own organisation. Consequently only two tenders were received. These were evaluated by the Facilities Manager, Commissioning Officer and Business Support Officer on the basis of 40% price and 60% quality. The cost/quality split was stipulated in the framework agreement as being 70% quality and 30% price but with the ability to adjust this by a maximum of 10% either way. It was therefore considered appropriate to increase the cost element to maximum allowed under the framework agreement to bring the methodology as close as possible to the Council’s own procurement procedures.
- 2.7 In the original report on 2 March 2016 it was recommended that the tender from OnePost was accepted as this scored the highest points. However, it has now come to light that the following issues have arisen which has altered the evaluation of the tenders and hence the outcome:
  - OnePost cannot provide a ‘first class service’. They would simply collect the post from Swale House (which has been prepared on an Online Business Account) and

deliver it to Royal Mail. Royal Mail would continue to invoice the Council direct and therefore this element of the post would not be part of the OnePost contract,

- The tendered price for first class was 51p when we are currently paying 52p on our own Online Business Account. OnePost confirmed that this was in fact incorrect and the cost should be 52p.
- OnePost are insisting on an Indicia being added to all 2<sup>nd</sup> class post. This will cost an additional 1p per letter.
- OnePost could provide us with 9 different sub-accounts on the invoice, but the Council would need to do the sorting itself and count and keep its own record what is being handed over to them.

### **3 Proposals**

3.1 A revised analysis of the tender results is attached as Appendix I. The proposal is to enter into a contract with Whistl Ltd for a period of four years. The total estimated contract value is £460,000 over four years (now excludes first class mail). The service that Whistl will provide is:

- Premier Sort – 2/3 day service (machine readable mail)
- All Sort – 3/4 day service (handwritten mail)

3.2 As it has now become apparent that neither tenderer can provide a next day service, the cost of first class mail (estimated as approximately £59,000 per annum) has been omitted from the tender prices. This will continue to be provided by Royal Mail but using an Online Business Account instead of a franking machine.

3.3 As a result of the need to omit first class mail from the contract, the total value of the contract has reduced accordingly.

3.4 There are likely to be a small number of items that will continue to be sent via Royal Mail (for example, packets, parcels and special delivery items) and these will be handled using the Online Business Account. This will allow the franking machine to be removed which will deliver a further saving in the region of £3,700 per annum together with time savings for the House Superintendents.

3.5 Recharges to departments will be carried out using a combination of (1) individual sub-accounts within the Whistl contract for large users such as Revenues and Benefits, Democratic Services, Parking Services, Planning Services and Technical Services, and (2) estimated apportionment for departments sending out small quantities of mail. This will be calculated by monitoring the post for the first three months and using this as the basis for the apportionment.

3.6 Whistl have confirmed that, provided the post for each sub-account is presented to them in separate trays, they will count them and invoice them separately. This service was not offered by OnePost.

## 4 Alternative Options

- 4.1 *Continue with existing arrangements:* Not recommended due to the cost savings that will be delivered under the proposed new contract and the opportunity to ensure that all spend on postage is within a contract arrangement that has been entered into as a result of a compliant procurement exercise.
- 4.2 *Carry out a full EU compliant procurement exercise:* Not recommended as the existence of the framework agreement has removed the need for this and allowed a much simpler process to be followed.
- 4.3 *Joint procurement with Maidstone and/or Tunbridge Wells Borough Councils:* This option was explored with both MBC and TWBC in relation to the further competition exercise carried out within the framework agreement. Both Councils declined to take part in a joint procurement as they were not in a position to make a decision about their future post distribution arrangements within the necessary timescale. Furthermore, on balance, it was agreed that there were unlikely to be any benefits achieved from a joint procurement in this instance.

## 5 Consultation Undertaken or Proposed

- 5.1 Extensive internal consultation was carried out with the users of the postal service to identify their needs and ensure that the proposed contract will be able to deliver those needs.

## 6 Implications

Issue	Implications
Corporate Plan	This proposal meets the objectives of the “Council to be Proud Of” priority as it delivers a cost saving to the Council whilst ensuring that the quality of service is maintained.
Financial, Resource and Property	This proposal is expected to deliver a reduction in postal costs in the region of £27,000 per annum. It will also reduce the level of staff resources required by the removal of the franking machine. Savings in the running costs of the franking machine will be in the region of £3,700 per annum.
Legal and	Support from Legal Services will be required to prepare the contract documents associated with the national framework

Statutory	agreement. The intended start date is 1 July 2016.
Crime and Disorder	None anticipated at this stage.
Sustainability	None anticipated at this stage.
Health and Wellbeing	None anticipated at this stage.
Risk Management and Health and Safety	None anticipated at this stage.
Equality and Diversity	None anticipated at this stage.

## 7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Analysis of tender results

## Appendix I

### Analysis of tender results

	Estimated no of items	OnePost Ltd			Whistl Ltd			Existing arrangements	
		Unit price	Annual cost	Scores	Unit price	Annual cost	Scores	Unit price	Annual cost
2/3 day service (machine readable)	431770	0.306	£132,123		0.257	£110,964		0.319	£137,735
2/3/4 day service* (handwritten)	12500	0.335	£4,186*		0.32	£4,000*		0.37	£4,625
<b>Total annual tender price</b>			<b>£136,309</b>			<b>£114,964</b>			<b>£142,359</b>
Cost of franking machine			£0			£0			£3,700
<b>Total annual cost</b>			<b>£136,309</b>			<b>£114,964</b>			<b>£146,059</b>
Total price score				33.74			40		
Total quality score				34			40		
<b>Total score</b>				<b>67.74</b>			<b>80</b>		

\* This is a 2/3 day service for OnePost and a 3/4 day service for Whistl