

Finance and Resources Committee

10.00am, Thursday, 23 March 2017

Award of Postal Services Framework

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| Item number | 7.8 |
| Report number | |
| Executive/routine | |
| Wards | |

Executive summary

This report seeks the approval of the Finance and Resources Committee, under the Council's Contract Standing Orders, to adopt the Scottish Government's Postal Services Framework. This Framework is a re-let of the Framework which the City of Edinburgh Council had previously agreements for Ad-hoc and Hybrid Mail (Lot 1) and Planned Mail (Lot 2). It is the recommendation of this report that the Council adopts both lots for a period of two years with options to extend for a further 24 months.

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Award of Postal Services Framework

1. Recommendations

- 1.1 In line with the Council's Contract Standing Orders (CSOs), it is a requirement that approval is sought from the Finance and Resource Committee for the use of Lots 1 and 2 of the Scottish Government Mail Services Framework, for two years with the option to extend for a further 24 months.

2. Background

- 2.1 The Council has an ongoing requirement to provide a postal service to addresses in the UK, Europe and the rest of the world. This is provided via a centralised mail service which unifies demand through the Council. Predominantly, this was provided by Whistl under the previous Scottish Government Framework.
- 2.2 Although the demands and form of the service will vary during the transformation review, mail services will continue to be a long term requirement of the Council.
- 2.3 External mail is collected from across the Council estate on a daily basis and processed through two franking machines. As part of the previous framework, 70% of mail was processed by Whistl under Lot 1; 'Ad Hoc and Hybrid Mail'. This was for the collection and delivery of physical mail as well as the option for a hybrid mail system that allowed organisations to issue a 'soft letter' to a production site, where it would be produced and enter into the Royal Mail network for the final delivery. The remaining 30% was processed by Royal Mail under Lot 2 of the contract; 'Planned Mail', which included any special or recorded mail, as well as excess mail that Whistl were unable to manage collection of.

3. Main report

- 3.1 The Council requires both routine and ad hoc bulk mail services to perform its functions effectively. Whilst general mail volumes are declining with the use of alternative forms of communication, the Council will continue to be reliant on the service for the foreseeable future. It is anticipated that the majority of Bulk Mail will be managed by CGI in the future, however some areas may choose this Framework for large volume services.
- 3.2 In October 2016 the Scottish Government Tendered for the Postal Services Framework. This Framework will run from 1 October 2016 until 30 September

2019, with an option to extend for a further 12 months. Previously, the service had been split into two lots; Ad-hoc/Hybrid Mail (Lot 1) and Planned Mail (Lot 2).

- 3.3 The new Framework is split into Physical and Hybrid Mail (Lot 1) and Scheduled/Regular Bulk Mail (Lot 2), to remove any ambiguity between the two lots.

Overview of Lot 1 Physical

3.3.1 Collection is made daily from Edinburgh Council offices - the Service will cover:

- Machineable Letter Unsorted;
- Non Machineable Letter Unsorted;
- Mailsort Pre-Sorted 2nd class;
- International Letter Rest of the World Unsorted;
- International Letter Europe Unsorted; and
- Packets and Parcels

Overview of Lot 1: Hybrid Mail

3.3.2 Hybrid Mail is a service that allows users to develop their mail format and content on their own desktop and then issue the soft letter to an off-site mail production centre for daily/ad-hoc printing and mail generation. The mail is then sorted and passed for delivery to the final destination. Hybrid mail achieves environmental benefits; reduces expenditure on stationery; and ensures that the most optimum tariff is achieved. Services offered include:

- both letter and large letter items; and
- a bespoke customer departmental return address application.

Overview of Lot 2: Scheduled/Regular Bulk Mail

- 3.4 This is for the production and delivery of scheduled/regular or bulk mailings by Royal Mail.
- 3.5 Royal Mail have been successful for both lots which effectively creates a single supplier solution. Under the terms of the framework the Council is able to access the services offered without the need for further competition.
- 3.6 The new framework with Royal Mail will come at a significantly lower cost than the previous arrangement.
- 3.7 The 2017 Election postal costs and associated savings have been captured by a separate call off and are not included within the remit of this report.
- 3.8 The expected spend and subsequent savings have been calculated on the assumption that demand for mail services will remain static. This is a conservative approach based on past performance. However more optimistically it could be considered that demand will decrease as a result of various ongoing projects, for example the "Save time. Do it online." campaign.

3.9 The Contract will be managed within the Customer Services division. As part of this process, Royal Mail will provide as a minimum a suite of reports including but not limited to:

- Monthly, quarterly and annual actual spend and saving reports;
- Expenditure details including products purchased, date of invoice, financial code, cost centre, Framework Public Body. This shall be available on a line-by-line basis (transaction level) and/or at summary level, as required;
- Volumes of types of mail purchased (e.g. Machineable Letter (Next Day Regional), Machineable Letter (2-3 day), simplex, duplex, colour/monochrome sheets used, additional insert and sheets, and sort cost);
- Exception reports;
- Service level reports;
- Sustainability reports including details of sustainable products purchased and carbon emissions associated with uplift/delivery of the service; and
- Outstanding debt report by Framework Public Body.

3.10 The Council has been using the Scottish Government Framework since February 2017 in order to maximise the financial savings. As there was no change in service or provider, it is financially prudent to seek retroactive approval in order to maximise savings.

Measure of success

- 4.1 The Council will have access to a fully compliant framework for the delivery of postal services which will enable both the efficient running of day to day Council operations.
- 4.2 Effective communications with the citizens of Edinburgh covering both routine correspondence and updates on service developments.

Financial impact

- 5.1 Commercial and Procurement Services have assessed the Scottish Government Framework and relevant Crown Commercial Services Frameworks.
- 5.2 The implementation of this framework will deliver an anticipated saving of £94,000 per annum, broken down in the financial impact below:

| | | Year 1 | Year 2 | Year 3 | Year 4 | 4 Year Total |
|---|-------------------------------------|-------------|-------------|-------------|-------------|---------------|
| Baseline Annual Spend on postage based on previous years | Lot 1 Ad Hoc and Hybrid Mail | £152,000.00 | £152,000.00 | £152,000.00 | £152,000.00 | £608,000.00 |
| | Lot 2 - Planned Mail | £353,000.00 | £353,000.00 | £353,000.00 | £353,000.00 | £1,412,000.00 |
| | | £505,000.00 | £505,000.00 | £505,000.00 | £505,000.00 | £2,020,000.00 |
| Expected Spend on Postage | Lot 1 Ad Hoc and Hybrid Mail | £126,000.00 | £126,000.00 | £126,000.00 | £126,000.00 | £504,000.00 |
| | Lot 2 - Planned Mail | £285,000.00 | £285,000.00 | £285,000.00 | £285,000.00 | £1,140,000.00 |
| Savings | | £94,000.00 | £94,000.00 | £94,000.00 | £94,000.00 | £376,000.00 |

- 5.3 If extended for the full four year period, there is an estimated saving of £376,000.
- 5.4 There is some scope for price increases and changes at fixed points throughout the life of the contract however these will be limited by the consumer pricing index.
- 5.5 The procurement costs associated with this contract are estimated at up to £10,000.

6. Risk, policy, compliance and governance impact

| Risk | Owner | Severity | Mitigating action | Review Date |
|--------------------------------|-------------------|----------|---|--|
| Contract implementation | Peter Rossborough | Low | Regular scheduled contract review meetings | Quarterly contract meetings |
| Non compliance | Peter Rossborough | Low | Monitoring of contract by both Council Officer and Royal Mail | Non compliance with the contract will be reviewed when necessary |
| Contract ownership/ management | Peter Rossborough | Low | Assignment to Operations Manager | Monthly |

7. Equalities impact

- 7.1 As per Sections 8 and 9 of the Procurement Reform Act (Scotland) 2014, it is the responsibility of the Council to assess equality impacts of this procurement exercise. As the incumbent supplier, there will be no equalities impact to take into account.

8. Sustainability impact

- 8.1 Due to the nature of the Postal Services contract and because it is drawn from a national Framework Agreement, community benefits have been realised as part of the wider Framework.
- 8.2 Royal Mail have committed to the following Fair Work Practices;
- Are recognised by the Living Wage Foundation as a best in industry employer;
 - Pay all permanent employees at least the living wage rate set by the Living Wage Foundation;
 - Sub-contracting staff at CFH Docmail Ltd (Lot 2) are paid over the National Living Wage rate;
 - Do not use zero hours contracts for permanent staff;
 - Are featured in The Times Top 50 Employers for Women;
 - In 2015, had 101 female employees who attended the Springboard Development Programme which enables women to identify the clear, practical and realistic steps that they want to take to make a better world for themselves at work and home, whilst building the practical skills and confidence to take these steps;
 - Participate as one of 11 national partners in Business in the Community's Ready for Work programme which helps long term unemployed people to find jobs. In 2014/15 they offered 40 placements under the scheme;
 - Are a signatory to the Government's Think, Act, Report Initiative;
 - Work with Business in the Community's Opportunity Now and the Race for Opportunity programmes which promote equal opportunities best practice;
 - Invested over £24.8 million in training during the last financial year (2014/15).
 - Provide other key staff benefits including: paid holidays, sick leave, maternity and paternity leave, adoption leave; a defined contribution pension scheme for new employees; via the sports foundation, healthy living and blood donation onsite
- 8.3 Royal Mail committed to follow a continuous improvement strategy to support sustainability efforts:
- Climate and Energy - Achieve a 20% reduction in emissions by 2020/21, compared to a 2004/05 baseline.

- Waste Reduction -Waste strategy is structured according to the five Rs: refuse, reduce, reuse, recycle and reform. Royal Mail diverted 78% of waste from landfill last year; and
- Water Use - Committing to managing water effectively and efficiently. Royal Mail recorded a 1% fall in water usage during 2014/15.

9. Consultation and engagement

9.1 As there has been no service change, consultation has not been required.

10. Background reading/external references

<http://www.gov.scot/Topics/Government/Procurement/directory/CorporateServices/PostalServicesRelet>

[Royal Mail: The Outlook for Mail in 2023](#)

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Links

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| Coalition pledges | P30 Continue to maintain a sound financial position including long term financial planning |
| Council outcomes | CP7 Access to work and learning |
| Single Outcome Agreement | SO1 Edinburgh's economy delivers increased investment, jobs and opportunities for all |
| Appendices | Appendix 1 – Summary of Tendering and Tender Evaluation Processes |

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

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| Contract Name | Post Services Framework |
| Contract period | 30 January 2017 – 29 January 2019 with option to extend for a further 24 months |
| Estimated contract value | £1,814,000 |
| Standing Orders observed | Yes |
| Tenders returned | N/A |
| Tenders fully compliant | N/A |
| Name of recommended suppliers | Royal Mail |
| Primary criterion | Direct Award to Scottish Government national Framework |
| Evaluation Team | N/A – Direct Award from Scottish Government Framework |
| Procurement Costs | Up to £10,000 |