

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Executive Director of Corporate Services

Corporate & Efficient Governance Committee: 24 March 2010

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**Subject: National Contract for Postal Services**

### **1. Purpose**

- 1.1** To request approval for the Council to participate in the national contract agreement for postal services developed by Procurement Scotland. This would result in TNT being the Council's preferred supplier for 2<sup>nd</sup> Class mail services.

### **2. Background**

- 2.1** In November 2009, Procurement Scotland awarded a Category A national contract agreement for postal services to include 80 public sector organisations in Scotland. The agreement is in place for 1 year with the option to extend for a further 16 months. The postal service contract does not include courier services, franking machines or document exchange.
- 2.2** Royal Mail has a service obligation to provide a universal postal service and is the only operator who can undertake 1<sup>st</sup> class tariffs. Therefore, Royal Mail has been awarded the 1<sup>st</sup> Class element.
- 2.3** TNT has been awarded the contract for 2<sup>nd</sup> class mail solutions including machineable, non-machineable, mail sort, walk sort and hybrid mail. TNT offer two services: (a) Flex for machine readable mail delivered within 2 days in Scotland/3 days in the UK; (b) Allsort for non machine readable mail delivered within 3 days in the UK.
- 2.4** The Executive Director of Corporate Services is required to complete a Commitment to Purchase agreement should the Council agree to participate in the contract.

### **3. Main Issues**

- 3.1** The Council predominantly uses Royal Mail for the uplift and delivery of both 1<sup>st</sup> and 2<sup>nd</sup> class mail.
- 3.2** The Council also uses TNT for some of its 'bulk mailing' requirements. As a result of the Procurement Scotland contract agreement the Council received a 16% saving on contract rates from 1 October 2009.

- 3.3** In addition to Royal Mail and TNT, the Council also uses Pitney Bowes and Neopost for franked mail. In the Financial year 2008/09, overall spend with these four suppliers amounted to £408,594 split as follows:

Royal Mail	£119,317
TNT	£108,113
Postage By Phone/Pitney Bowes (franking machines)	£101,333
NeoPost (franking machines)	£ 79, 831

- 3.4** The table below provides a price comparison of Royal Mail current 2<sup>nd</sup> class rates for franking machines and TNT 2<sup>nd</sup> class contract rates:

2 <sup>nd</sup> Class	Royal Mail current (2-3 days UK)	TNT Flex Machine Readable (2 days Scotland, 3 days UK)	% saving	TNT Allsort Non Machine Readable (3 days UK)	% saving
Letter	25p	17.5p	30%	23.5p	6%
Large Letter	40p	27.5p	31.25%	32p	20%

- 3.5** This shows that there is potential for over 30% savings depending on the proportion of machine readable presented if the Council switched from Royal Mail to TNT.

#### **4. Personnel Issues**

- 4.1** Adopting TNT as the preferred supplier for 2<sup>nd</sup> class postal services will involve a minor change in 'sorting' procedures but will have no significant impact on personnel.

#### **5. Financial Implications**

- 5.1** Switching to TNT for 2<sup>nd</sup> class mail will achieve a minimum saving of 6% on non machine readable mail.
- 5.2** A further 24% saving can be achieved if mail can be presented in a machine readable format (TNT Flex).
- 5.3** It is not possible to put an accurate monetary value on the level of savings that can be generated overall within the Council because spend on 2<sup>nd</sup> class mail cannot be isolated from the overall spend as identified at 3.3 above.
- 5.4** Using the payments to companies other than TNT (£300,481) as influenceable spend and making an assumption that 40% of this figure represents 2<sup>nd</sup> class mail spend, there is potential for budgetary savings of up to £36,058 per annum if this new contract were to be rolled out completely across the Council. There would be ongoing additional savings generated from not requiring to renew leases on franking machines.

## 6. Risk Analysis

- 6.1 Currently, poor mailing practices e.g. using wrong sized envelopes, inappropriate letter templates, hand written addresses, unnecessary use of 1<sup>st</sup> class mail, adds unnecessary cost to the Council. If the Council does not participate in the national contract agreement, it will not receive the most competitive rates in the postal services market.

## 7. Equalities Impact

- 7.1 No significant issues were identified in a screening for potential equality impact of this service.

## 8. Conclusions and Recommendations

- 8.1 The Council is currently paying a higher rate for 2<sup>nd</sup> Class mail services than the Procurement Scotland contract agreement offers. Poor mailing practices such as handwritten letters and incorrect sized envelopes also add significant costs as does the leasing of franking machines in a number of Council locations.
- 8.2 It is recommended that the Council agrees to sign up to the Procurement Scotland contract agreement to use TNT as the Council's contract provider for 2<sup>nd</sup> Class mail services.
- 8.3 It is recommended that priority be given to promoting the use of TNT's 'Flex' Service for mail that would normally be sent first class. Delivery timescales for this mail is 2 days in Scotland and 3 days in the UK.
- 8.4 It is recommended that the Committee mandates departments and sections to improve local mailing practices and procedures and give permission for TNT to facilitate 'Local Mailing Awareness Sessions' where appropriate.

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Joyce White  
Executive Director of Corporate Services  
Date: 3 March 2010

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**Appendices:** None.

**Background Papers:** None

**Wards Affected:** All