

REPORT TO: POLICY & RESOURCES COMMITTEE - 27 JUNE 2011
REPORT ON: OPERATING MODEL REDESIGN PROJECT - POSTAL SERVICES
REPORT BY: DEPUTE CHIEF EXECUTIVE (SUPPORT SERVICES)
REPORT NO: 296 - 2011

1.0 PURPOSE OF REPORT

This report explains the Procurement Scotland Postal Services National Framework and seeks approval for adoption of the framework across all departments of the Council.

2.0 RECOMMENDATIONS

It is recommended that:

1. The National Framework Agreement for Postal Services is accessed by all departments of the Council, making TNT Post our 'Down Stream Access Provider' for 2nd Class mail from 1st July 2011.
2. Procurement Scotland's Good Practice Guide 'Postal Services for the Scottish Public Sector' (February 2010) is adopted as Council policy to ensure staff select the most cost effective methods of sending outgoing mail.
3. The use of franking machines is phased out, as far as possible.

3.0 FINANCIAL IMPLICATIONS

The above recommendations are estimated to realise a saving of around 14% in postage costs. Applying this to the £543,815 Royal Mail postage spend in 09/10 would have realised a saving of £76,134 in the year.

There is also an estimated saving of £22,017 in franking machinery and supplies each year (i.e. £1,100 x 15 = £16,500 for the leased franking machines and £713 x 9 = £5,517 for the owned franking machines).

Accordingly, in cash terms we are estimated to save £98,151 in a full financial year.

Additional efficiency savings in clerical time (equivalent to 1.65 FTE posts) achieved by a reduction in mail franking activities will allow clerical staff to be allocated to other duties

4.0 MAIN TEXT

4.1 Current Local Postal Arrangements

There is no standard postal service agreement in place across the Council e.g. the mailroom in Tayside House uses TNT Post for outgoing 2nd Class mail whilst the Housing Department use Royal mail Printed Postage Impression envelopes and in other locations the mail is franked and collected by Royal Mail.

In 2009/10, the cost of outgoing mail totalled £764, 031 made up as follows:

Postage costs	£705,036	(of which only £161,221 TNT Post)
Franking machinery costs	£22,017	(24 machines, of which 15 are leased)
Clerical costs	£36,978	(1.65 full-time time equivalent staff)
Total	£764,031	

4.2 National Framework Agreement for Postal Services

Procurement Scotland is a division of the Scottish Procurement Directorate of the Scottish Government. It's objective is the development and implementation of procurement strategies for certain national commodities (including Postal Services) on behalf of all Scottish public sector organisations in order to deliver benefits through economies of scale.

TNT Post has been Procurement Scotland's National Framework Agreement 'Down Stream Access (DSA) Provider' for 2nd Class mail services since November 2009 whilst Royal Mail retain 1st Class mail services.

Down Stream Access (DSA) is the term used to describe mail which has been collected and distributed by a licensed postal provider, but is handed over to Royal Mail for delivery i.e. 'the final mile'.

TNT Post therefore, as a licensed provider collect, sort and process the mail before delivering it directly to a Royal Mail Inward Mailing Centre for onward delivery to the consumer or business by Royal Mail's postal workers.

To date, circa £9.4m spend has gone through the national agreement with approximately 82 organisations utilising TNT Post, including 19 local authorities (e.g. Edinburgh City Council, Aberdeen City Council, Renfrewshire Council and West Lothian Council) and NHS Tayside. The agreement has achieved savings of circa £1.4m for the Scottish Public Sector, all of which are attributable to TNT Post.

4.3 Postage Rates

Royal Mail's revised retail tariffs (from 1st April 2011) which include franked and stamped mail are as follows:

Service	Royal Mail 2010/11 price	Royal Mail 2011/12 price	Increase	% Increase
1 st Class franked letter	36p	39p	3p	8%
2 nd Class franked letter	25p	28p	3p	11%
2 nd Class franked large letter	40p	44p	4p	9%

Even although TNT Post have frozen their prices as per the terms of the framework, as Royal Mail still make the final delivery, this has resulted in an increase in price to a number of TNT Post's services. The price increases vary from service to service but the overall price increase is estimated to be around 18%.

Although potential savings have therefore declined since last year there are still significant savings to be made by using TNT Post as the following examples show:

Service	TNT Post Price 2011/12	Royal Mail Price 2011/12	Saving	% Saving
Machine readable Letter	21.5p	25p	3.5p	14%
Flex Large Letter	34p	44p	10p	23%
Machineable Letter	25.5p	28p	2.5p	9%
Mailsort 120 (CBC)	19.25p	21.92p	2.67	12%

4.4 Financial Savings

Procurement Scotland estimate that by utilising TNT Post, the average saving against Royal Mail retail prices is around 14%. Applying this to the £543,815 Royal Mail postage spend in 09/10 would have realised a saving of £76,134 in the year.

There is also an estimated saving of £22,017 in franking machinery and supplies each year (i.e. £1,100 x 15 = £16,500 for the leased franking machines and £713 x 9 = £5,517 for the owned franking machines).

Accordingly, in cash terms we are estimated to save £98,151 in a full financial year.

Additional efficiency savings in clerical time (equivalent to 1.65 FTE posts) achieved by a reduction in mail franking activities will allow clerical staff to be allocated to other duties

4.5 Timescales and Transition Arrangements

The Corporate Procurement Manager should instruct Departments not currently using TNT Post to access the National Agreement.

Each Department should put into place an implementation plan to ensure a smooth transition to the agreement by 1st July 2011.

The Corporate Procurement Manager should manage the phasing out of franking machines across the Council, as far as possible.

Procurement Scotland's Good Practice Guide 'Postal Services for the Scottish Public Sector' (February 2010) should be adopted as policy to ensure staff select the most cost effective methods of sending outgoing mail and to reduce the volume of outgoing mail generally.

5.0 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty and Risk Management. There are no major issues.

An equality impact assessment has been carried out and will be made available on the Council website <http://www.dundee.gov.uk/equanddiv/equimpact/>. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Depute Chief Executive (Support Services) and Director of Finance have been consulted in preparation of this report.

7.0 BACKGROUND PAPERS

None.

Patricia McIlquham, Depute Chief Executive (Support Services)

13 May 2011