

Case study: Department for Work and Pensions

The Department for Work and Pensions (DWP) is the second largest user of postal services in central government. Each year it issues 248 million items of correspondence and pays £70 million for postal services. Although DWP is looking to reduce its reliance on post, mail is still the Department's most important communication method and will remain so for the foreseeable future.

In its 2006 report, *Improving the efficiency of postal services procurement in the public sector*, the National Audit Office (NAO) says DWP has already made good progress towards improved efficiency and performance in its use of postal services, by:

- **Implementing mechanical sorting machines and making increased use of discounted “Mailsort” products from Royal Mail.** The volume of mail from DWP's service delivery centres that qualified for these discounts rose from 30% in April 2004 to 83% a year later.
- **Sending its Winter Fuel payments by second rather than first class mail,** saving 10p per item without reducing customer service levels.
- **Centralising printing and mail services for all its debt management work.** This was previously handled at ten different sites. Centralisation has allowed greater use of discounted mail products and resulted in estimated postage savings of £80,000 in 2005.
- **Piloting the use of ‘access’ agreements with TNT and UK Mail.** Results from these pilot schemes showed a possible 10% saving (excluding VAT) compared with previous Royal Mail prices, plus 94% of mail arriving within two working days, compared with 90% previously.
- **Developing a pan-Departmental communication strategy,** including a rationalisation of existing products and ‘brands’ to make the most of discounts available on postage costs.
- **Establishing TNT as an alternative distribution channel for urgent mail** in the event that Royal Mail is unable to operate.

- **Working with Royal Mail and Post Office Limited in an effort to reduce the risk of postal fraud.** Anti-fraud initiatives have included the increased use of disguised mail, use of envelopes without windows to make the contents less obvious, and risk assessments of alternative suppliers.

But the NAO believes the Department could reduce postage costs even further – by as much as £5 million a year by 2008-09 - if it made greater use of second class and other products with longer delivery timescales, and improved its awareness and takeup of the potential discounts available on large mailings.

Useful links

- **www.psc.gov.uk** - Postcomm's website, for more information on the UK postal market, including advice on reviewing your mail services supplier and full listings of alternative licensed operators
- **www.nao.org.uk** - the National Audit Office's website, which includes a full copy of its March 2006 report, *Improving the efficiency of postal services procurement in the public sector*
- **www.dwp.gov.uk** - the Department for Work and Pensions' website

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