ITEM No …7………..

REPORT TO: **CITY GOVERNANCE COMMITTEE – 22 JUNE 2026**

REPORT ON: **PROCUREMENT SOURCING STRATEGY APPROVAL FOR DIGITAL-TO-PHYSICAL MAIL DELIVERY SERVICE**

REPORT BY: **EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

REPORT NO: **130-2026**

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide a summary of the details of a procurement sourcing strategy that has been completed for digital-to-physical mail delivery service.

2. RECOMMENDATION

2.1 It is recommended that the Committee:

a) notes the information in this report and

b) approves the proposed route to market as set out in Section 6 of this report, in compliance with the Public Contracts (Scotland) Regulations 2015.

c) approves the extension of the current contract for one year.

3. FINANCIAL IMPLICATIONS

3.1 The approval of the contract extension would result in estimated costs of £400k over the one year of the contract extension. The mail delivery service is funded from existing revenue budgets within individual Council service areas. Each service is responsible for meeting the cost of its own usage of digital to physical mail delivery. Costs are directly linked to the volume and type of mail processed, ensuring transparency and proportionality. These costs are invoiced monthly and recharged to services, supporting accurate financial management and budget control.

3.2 Given the value of the proposed procurement, a report detailing the outcome of the process will be brought back to committee for consideration in due course. This report will set out the recommendations for any tender award together with the full financial implications including how these will be funded.

4. BACKGROUND

4.1 Digital-to-physical mail delivery service, also known as hybrid mail, provides a modern, centralised approach to outbound mail correspondence, allowing staff to send mail digitally while physical printing and delivery are handled externally. It aligns with ongoing service transformation by reducing reliance on manual, paper-based processes and legacy print infrastructure.

5. DETAILS OF THE PROJECT BEING COMMISSIONED

5.1 The Council uses a digital-to-physical mail delivery service from Xerox to print, envelope and mail outbound correspondence. Since 2023, Hybrid Mail has been the default method across the Council for sending 1st class, 2nd class and Tracked 48 letters, as well as for mail merge.

5.2 This mail service is a fully digital service, enabling staff to send mail directly from their desktop, with printing and dispatch handled by the supplier. This improves operational efficiency and supports the Council's sustainability goals by reducing the environmental impact of traditional mail handling. It improves efficiency and reduces cost by eliminating physical mail collection processes, reduces staff time for mail preparation, and helps streamline workflows.

5.3 The Council's internal print service carries out printing, enveloping and mailing of bulk mail jobs such as Council Tax billing. The equipment used to operate this service is approaching end of life and it is more cost-effective to move the bulk printing to a digital-to-physical mail delivery service. The work carried out by the print service will be included in the new contract, which will reduce operating costs and dependency on the print room resources. Cost savings will be achieved when the equipment hire, maintenance, stationery and postage costs are removed. These savings will be identified together with any changes to the cost of the new contract, and the appropriate changes will be made to the future year's budgets at that time.

5.4 The new mail service contract will support all the Council's bulk printing and mailing with the flexibility to scale the requirement without additional investment in print infrastructure. There is also a reduction in risk if we no longer operate the internal printing service, with maintenance of machinery no longer needed. If mailing volumes are reduced then the cost will also be reduced, as there are no fixed expenses of the new contract.

5.5 The contract with Xerox expires in December 2026 and an extension to this contract is required to ensure continuity of service while a new contract is procured and the Council migrates to the new service. This will also allow the internal print service to be moved to the digital-to-physical mail delivery service.

6. SOURCING STRATEGY SUMMARY

6.1 The Council will utilise Government Commercial Agency (GCA), formerly Crown Commercial Services, framework RM6280, Postal Services and Solutions, Lot 6 (Hybrid Mail, Digital and Transformational Communications), as it directly aligns with the required service. The framework provides access to a competitive mix of national suppliers and SMEs and offers a compliant, efficient route to market via mini-competition. It enables the Council to refine requirements while ensuring best value and reducing procurement risk.

6.2 The contract will be procured through a mini competition. The GCA framework allows for pricing flexibility; the Council intends to seek fixed pricing and rates for the full contract duration of up to five years. Bidders will therefore be required to submit fixed pricing within their tender responses. Prices will only be subject to review where essential and directly linked to this contract/framework, for example in relation to evidenced changes in Royal Mail postal charges. Any such adjustments will be clearly defined, transparent, and subject to appropriate controls within the contract.

6.3 Procuring digital-to-physical mail delivery service supports delivery of the Council Plan and Digital strategy to Design a Modern Council. Mail delivery is an essential service, and the new contract will support organisational resilience, providing a robust, scalable, and secure service for mail delivery.

7. RISK ANALYSIS

7.1 There are four standard risks in any procurement and for public sector regulated procurements, a fifth is added, that of the procurement exercise itself breaching the public contract regulations and leaving the Council open to a legal challenge.

Description of Risk	Actions to be taken to manage Risk
Commercial Risk – That either the price objectives are not achieved up front or there are other costs that arise during the contract and diminish the overall benefits.	Competition carried out via GCA framework. Seek fixed pricing for up to 5 years with tightly controlled provisions for any allowable variations (e.g. linked to Royal Mail increases only). Include transparent pricing structures and volume assumptions within the tender to ensure bids remain comparable and sustainable
Technical Risk – This concerns the difficulty in being able to specify the desired outcome and on the market being unable to deliver to the specification.	Many suppliers are available within the framework. Tender specifies clear technical requirements and compatibility standards. Require high system availability (e.g. 99.5% uptime), disaster recovery arrangements, and business continuity plans
Performance Risk – This concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits.	Include clear KPIs and SLAs (e.g. turnaround times, accuracy levels). Implement contract management arrangements, including regular performance reviews and reporting. Ensure adequate DCC resource is given from the start of implementation to prevent delays
Contractual Risk – Being able to remedy the ‘s shortcomings in the contractor’s performance without severely damaging the contract and avoiding reliance on the contracted supplier as the contract develops.	Use of GCA call-off contract terms, ensuring a robust and standardised contractual framework. Incorporate clear data protection, security requirements, and DPIA-informed clauses into the contract
Procurement Risk – where a procurement is found unsound in law, through the public procurement rules.	Use of CCS RM6280 framework (Lot 6) to access a broad and pre-qualified supplier base Undertake pre-tender engagement and develop a clear, proportionate specification with defined pass/fail criteria

8. CONCLUSION

8.1 It is recommended that the proposed route to market and one year contract extension is approved.

9. POLICY IMPLICATIONS

9.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

10. CONSULTATION

10.1 The Council Leadership Team were consulted in the preparation of this report.

11. BACKGROUND PAPERS

11.1 None.

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