

Executive report

5 November 2010

Report of Head of HR, IT and Customer Services

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Wards affected: All

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To: CABINET

DATE: 4 November 2010

Report No 64/10

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To: EXECUTIVE

DATE: 5 November 2010

Printing and photocopying contract and savings

Recommendations

- (a) To approve the award of a contract for multi-function devices (MFDs) to Danwood as the supplier offering the most economically advantageous tender.
- (b) To authorise the Head of HR, IT and Customer Services to make detailed changes to optimise the requirement specification for number of MFDs to be procured following consultation with affected users.
- (c) To authorise the Head of Legal & Democratic Services to complete the legal formalities and enter into a Framework Agreement with the supplier.

Purpose of report and executive summary

1. This report proposes the replacement of the fleet of relatively old desktop printers, photocopiers, fax machines and scanners at both councils with a smaller number of modern multi-function devices (MFDs).

2. The report describes the process for the procurement and recommends awarding a contract to Danwood Group. The procurement process uses a government Framework Agreement as described in contracts procedure rule 52. However, the four-year value of the contract is in excess of the EU threshold, therefore rule 57.5 requires Cabinet and Executive approval to let the contract.
3. There will be financial and carbon savings to both councils. In addition to this there are a number of operational benefits to both councils. In a later phase of the project there will be potential further cashable savings.
4. This report contributes to several strategic objectives:
 - Both councils: Managing our business effectively
 - South: Reduce energy use from our own operations
 - Vale: Minimise our impact on the causes of climate change / Minimise the waste we produce

Background and current position

5. Over the years, the growth and variety of desktop printers, photocopiers, fax machines and scanners has been fairly ad-hoc. Many different manufacturers' equipment has been purchased over the years, and much of it is now life-expired. This has led to both councils expending significant effort in procuring, supporting and maintaining a variety of devices. More significantly, the councils are missing an opportunity to explore more efficient and more cost-effective ways of managing printing, copying, faxing and scanning.
6. Many printers are now approaching the end of their lives and are failing. In addition, South has a photocopying contract which is scheduled to end in December 2010, and this was an obvious trigger to research alternative options.
7. We looked at how other councils have addressed this challenge, and found that many of them have rationalised their desktop printing, photocopying, faxing and scanning by leasing multi-function devices (MFDs), with significant savings.
8. Discussions with other councils and with the Office of Government Commerce showed that the best way forward was to replace the inconsistent and inefficient fleet of legacy desktop printers, copiers, fax machines and scanners with a smaller fleet of modern energy-efficient MFDs.
9. Currently there are 86 printers, copiers, scanners and fax machines at Vale, while the total for South is 103.
10. Across both South and Vale, up to twenty eight fax machines sit idle most of the time, consuming energy 24 hours a day.

Project definition

11. In order to improve the current position and explore available savings, we agreed the following project description with the Head of HR, IT and Customer Services (Andrew Down) in his role as project sponsor:

"To provide the most cost effective solution to the councils' printing, copying, scanning and faxing needs that minimises inefficient use of officer time, whilst serving to meet the councils' aims to reduce energy costs and carbon emissions."

Outcomes

12. We specified several outcomes which we wanted to achieve in the project:

- To achieve a cost effective solution and savings if possible
- To achieve 13.6 tonnes of carbon saving per annum across both councils (specified as part of the councils' carbon management plans)
- To improve operational efficiency
- To reduce the likelihood of unpredictable calls on financial resources when owned printers and copiers fail
- To ensure that the chosen solution complies with the principles of Fit For the Future¹
- For the new supplier to take ownership of the councils' legacy printers and copiers
- For the chosen solution to meet both councils' technical ICT requirements
- For there to be a simple contractual relationship not involving a third-party supplier
- For shortlisted suppliers to undertake (at no cost to the councils) due diligence, device audits and estimates of costs and savings.

Potential benefits

13. We benchmarked with other comparable district/city councils, who have achieved savings from implementing MFDs in the following ways:

- Electricity use reduction from more efficient machines which shut down automatically when the offices are closed
- New machines should be more reliable, resulting in less "downtime"
- Reduction in paper use from full use of duplex copying
- Reduction of unnecessary colour output through management software
- Toner saving from using more efficient machines and from reduction in printing
- Reduced cost per page arising from the above
- Significant environmental benefit and carbon savings

14. There are also a number of operational benefits, particularly:

- Transfer of our legacy equipment fleet to the supplier for reuse or disposal
- Ordering consumables is done by the supplier, so elimination of ICT time
- Maintenance included in costs, so elimination of ICT time in repairing printers
- Automated billing and allocation to cost centre reduces effort in recharging

¹ Fit For the Future is a corporate business transformation programme spanning both South and Vale. It focuses on service improvements and increased efficiencies in delivering the councils' objectives. This brings benefits to customers and staff, as well as releasing capacity that can either be reinvested or taken as savings.

- Centralised budget minimising complexity and simplifies contract management
- Management information on device usage, enabling us to identify under-used MFDs, which could be returned to the supplier and lease costs reduced to give further savings

15. A more detailed statement of project benefits is available in a background paper on request.

Disadvantages

16. The only significant disadvantage of MFDs is that in situations where only low-volume printing is required, and copying/scanning/faxing are not required, an MFD would be uneconomical. This situation has been addressed by recommending conventional mono laser printers for such situations.

Purchasing options

17. Officers have researched the alternative procurement routes of outright purchase or leasing. The experience of other councils is that leasing offers greater operational benefits (as listed above) and is cheaper over the lifetime of a contract. Leasing also reduces staff time in managing equipment. A lease contract has a predictable spend, whereas owned equipment may suddenly incur the risk of urgent unpredictable expenditure when equipment fails.

18. All our research points towards the advantages of MFDs greatly outweighing the disadvantages, so officers have concluded that the councils' future printing, copying, scanning and faxing needs would be best met by leasing MFDs (and a small number of mono laser printers).

Procurement process

19. Previously, a requirement of this kind would be tendered competitively according to the process set out in the councils' joint contracts procedure rules. However, rule 28.1 requires officers to establish whether there are any framework agreements available which the councils could use and which would potentially save time and money. After speaking to a number of other councils, it became clear that the best route for procuring MFDs is through Office of Government Commerce (OGC) Buying Solutions² framework agreement number RM450. To ensure best practice, we sought advice on the procurement process from the dedicated team at Buying Solutions, and they also checked our specific procurement documents.

20. As well as saving officer time in the procurement process, the use of this framework gives the councils access to pre-qualified suppliers who have already been through an EU tendering procedure, and also gives us access to the lowest possible prices and service fees.

21. Framework RM450 contains seven suppliers of MFDs, and the process of deciding on a preferred supplier is formally known as "further competition", which

² Buying Solutions is the government's leading procurement partner for all UK public services and is part of the Cabinet Office.

consisted of several stages - these have been documented in detail in a separate background paper available on request.

22. Two suppliers scored much more highly than the other four who responded, and in the comparison of final bids from the two suppliers, evaluating officers unanimously scored supplier A above supplier B, and the project sponsor then agreed to the appointment of supplier A – Danwood Group – as preferred supplier, subject to the agreement of Executive and Cabinet. Further details of the tender evaluation are available in the background paper on request.
23. The Buying Solutions framework agreement requires the councils to enter into a four year contract.

Cost of new contract, savings and budget reductions

24. The preferred supplier provided us with savings estimates, based on the work undertaken during the print audit phase of the procurement. However, we have thought it more reliable to base our calculations on our own figures as far as they could be ascertained. In some cases, records were insufficient, and in these cases we have used the supplier figures.
25. The table below illustrates the reduction in the number of devices which would be achieved by the new contract.

	Vale	South
Total number of existing printers, copiers, scanners and faxes	86	103
Total number of new devices	23	22

26. The following tables summarise the costs and savings of the new arrangements for each council. In order to verify that cashable savings can be taken, accountants from Vale council have provided detailed financial data which identifies reductions to be made in a large number of specific cost centres; this data is available on request.

Current and future costs: Vale

	Current £	Future £	Note
CURRENT COSTS			
Variable consumables:			
Annual printing/photocopying costs (i.e. toner, copier maintenance)	39,580	34,970	(1)
Non cashable costs:			
Annual cost of lease for printers and photocopiers (includes print management software licence costs)	0	26,070	(2)
NEW CONTRACT COST		61,040	(3)
BUDGETS TO BE REDUCED/REMOVED			
	Current £	Future £	
Total cost of various budgets including photocopying	285,480	267,110	
Business Support Unit	56,000	17,060	(4)
Total across all budgets	352,670	284,170	
Therefore net saving in budgets		68,500	
NET SAVING AFTER CONTRACT COST		7,460	
Potential future savings:			
Annual electricity cost	1,770	780	(5)

Current and future costs: South

	Current £	Future £	Note
CURRENT COSTS			
Variable consumables:			
Annual printing/photocopying costs (i.e. toner, copier maintenance)	51,390	35,529	(1)
Non cashable costs:			
Annual cost of lease for printers and photocopiers (includes print management software costs)	12,543	21,345	
Ongoing/new revenue costs:	0	21,345	
NEW CONTRACT COST		56,875	(3)
BUDGETS TO BE REDUCED/REMOVED			
	Current £	Future £	
Cost centre: PN01 Printing and photocopying Account code: 4007 Materials and consumables	44,066	7,293	
Cost centre: CE10 PC & Intelligent Terminals Account code: 4508 Computer Supplies	28,365	0	
Saving already taken for 2010/2011		6,000	(6)
Total across all budgets	72,431	13,293	
Therefore net saving in budgets		59,138	
NET SAVING AFTER CONTRACT COST		2,263	
Potential future savings:			
Annual electricity cost	2,224	609	(5)

Notes

- (1) The usage costs of MFDs is predicted to reduce as compared with current, partly because of reduced wastage of uncollected printing. This budget will be held and monitored centrally at each council.
- (2) [Vale only] Vale approved a capital bid of £13,000 in the 2010/11 budget for a new industrial printer. This capital expenditure will no longer be required. However, the cost of running the new contract printers and photocopiers will be an ongoing revenue cost and Vale does not have existing revenue budgets to allocate to this. There is no specific funding to replace some of the older, low cost printers and these would have been funded from underspends as required. The impact of the new contract, therefore, will be to avoid future costs rather than make cashable budget savings.

- (3) The new contract cost is the sum of the rows 'Annual printing/photocopying...' and 'Annual cost of lease...'
- (4) [Vale only] The business support unit budgets were responsible for the repair and maintenance of the old Print Room equipment. Savings from the disbandment of the print room and business support unit have identified savings on these old budgets for materials, consumables, photocopying and stationery which can be used to support the new contract cost. Some additional saving may also be achievable once the contract cost is fully funded. Further details are available on request.
- (5) A reduction in the number of devices from 86 to 23 (Vale) and from 103 to 22 (South) will result in significant carbon savings. However, because of fluctuations in energy prices, budgets will be maintained (i.e. not taken as cashable savings) until long term reductions result in real cost reductions.
- (6) [South only] On-going annual avoidable costs of £6,000 for South for routine replacement of printers have already been taken as revenue savings from financial year 2011-12 onwards by being removed from budgets and built into the medium-term financial plan.

Estimated carbon and electricity savings

27. Danwood have calculated the following forecast annual electricity savings and carbon savings. Note that the carbon savings are derived exclusively from electricity savings.

VALE	Before	After	Estimated saving
Annual electricity usage	23,169 kWh	10,335 kWh	12,834 kWh (55%)
Annual electricity cost	£1,770	£781	£989 (55%)
Annual carbon footprint	12.61 tonnes	5.63 tonnes	6.99 tonnes (55%)

SOUTH	Before	After	Estimated saving
Annual electricity usage	26,593 kWh	7,583 kWh	19,010 kWh (71%)
Annual electricity cost	£2,224	£609	£1,615 (71%)
Annual carbon footprint	14.47 tonnes	4.13 tonnes	10.34 tonnes (71%)

28. This gives a total forecast of 17.3 tonnes CO₂ savings per annum across both councils, which is comfortably in excess of the combined target of 13.6 tonnes associated with this project.
29. Because of the variability of electricity tariffs, we have agreed with the accountancy teams that estimated cost savings on electricity will not be considered as a cashable saving or removed from budgets.

People movement and number of devices

30. During the procurement process we used Danwood's recommendations of numbers and locations of devices. A representative from the Fit For the Future team reviewed this in the context of lean systems thinking, and its requirement to minimise wastes such as staff time in walking to a machine and also in waiting for output if a queue forms. The resulting specification and draft floor plans included a number of additional devices for large offices, which would reduce the time taken to walk to and from the device.
31. We have specified MFDs with relatively high speed output and low warm-up time, in order to minimise waiting times.
32. Savings have been maximised on the assumption that directors and heads of service will not have printers in their private offices.
33. The contract will be set up in such a way that further MFDs can be leased if it turns out that there is an unforeseen need. Equally, MFDs can be returned to the supplier if they turn out to be under-utilised, or if fewer MFDs are required after team restructuring and office moves. Each MFD given up will enable the councils to make additional savings of approximately £1,100 per year.

Disposal of old equipment

34. We intend to sell any old equipment that has any residual value. Realistically, there are few printers or copiers whose value has not already been written down in the accounts. Danwood has offered to remove such equipment. Depending on the condition of the equipment, it will either be disposed of in accordance with Waste Electrical and Electronic Equipment legislation, or re-manufactured and sold, either in the UK or abroad. For appropriate equipment, a common practice amongst suppliers is to donate it to the less economically developed countries.

Contract management

35. Although the South photocopier budget is currently managed by the facilities team, we have agreed that when the project phase is complete, ongoing ownership of the MFD contract will transfer to the shared IT operations manager (Simon Turner).
36. The councils' IT operations team will be required to fit toner cartridges provided by the supplier and fix simple paper jams. All other repairs and maintenance will be undertaken by the supplier.
37. The Buying Solutions framework agreement we are using specifies a four-hour service standard for engineer call-out.
38. The shared facilities manager (Wendy Beasley) will continue to be responsible for ordering paper.
39. The above arrangements considerably simplify the management of printing and copying operationally, with many fewer officers involved in (e.g.) buying toner or

repairing failed devices. These staff time savings are additional to those quantified in this report.

Project plan

40. The project team is consulting heads of service on the number and positioning of MFDs in their teams. Minor adjustments may be required, especially during office accommodation moves at Abbey House.
41. The preferred supplier has provided a project plan for the implementation of the new MFDs. Subject to approval by Executive and Cabinet and completion of a contract, we expect MFDs to be in place at both councils by early December 2010. The South photocopier contract will end as soon as possible after this, which in practice will be the end of December 2010.
42. The chosen supplier will provide training, to ensure minimal disruption and time wastage by users, ensuring that users will become aware of the rich functionality of MFDs.
43. Communications relating to the project have already included articles on the intranets and staff briefings at both councils.

Phase 2 further savings

44. Once in contract, the chosen supplier will work with the councils to further refine the MFD solution and to explore additional savings, especially in association with office layout changes currently being planned by the shared facilities manager. One such example is to evaluate the future of both print rooms, which the shared facilities manager is currently considering.
45. Another initiative will be to identify all external printing procurement, to see if it makes better sense to print on demand when required. An area already identified is the external printing of Homechoice brochures and lists of available properties. We believe we can make savings by printing these documents on demand, thus avoiding the cost and inevitable waste of printing relatively large print runs externally.
46. The preferred supplier estimates from experience in other councils that the above initiatives and others are likely to contribute a further ten per cent saving.

Financial implications

47. The net effect of this project is to achieve estimated annual cashable savings of £7,460 for Vale, and of £2,263 for South. The South saving would have been £8,263, however £6,000 of this relating to purchase of routine replacement of printers has already been taken as revenue savings by being removed from budgets and built into the medium-term financial plan.
48. In addition, proceeding with the project will allow Vale to avoid spending approx. £15,000 capital, and a variable annual cost in order to replace old and faulty machinery. South will save approximately £5,000 annually on purchasing replacements for failed printers and copiers.

49. At present, neither council has a dedicated capital budget for replacement of failed printers and copiers. By adopting a leasing arrangement, the contract costs are predictable, and there will be no sudden calls on financial resources when a printer unexpectedly fails.
50. Budgets have been assembled from various cost centres to ensure that cashable savings are identified and removed from budgets; further details are available in the background paper on request.
51. South already leases its photocopiers, whereas Vale has purchased these previously. Thus the change involved in moving to a complete leasing regime will be less significant operationally at South.

Legal implications

52. The use of framework agreements instead of a council-led tendering process is encouraged under contracts procedure rule 28.1.
53. Though savings offset costs, the new MFD contract value over four years exceeds the EU threshold, therefore contracts procedure rule 57.5 requires Cabinet/Executive approval.

Risks

54. There is a potential risk that the expected savings are not achieved. We have mitigated this risk by using actual cost figures from the councils' financial systems, rather than using supplier estimates. This report identifies those cost centres from which cashable savings can be removed. A more likely outcome is that underutilised MFDs can be given back to the supplier, saving their rental costs.
55. A further risk is that if the project does not go ahead, savings opportunities likely to be available in phase two of the project would be impossible to achieve without MFDs in place.
56. Existing equipment will be retained until the new MFDs are in place and users trained and happy, to minimise the risk of disruption to operational services.

Conclusion and recommendation

57. The replacement of the current printer and copier fleet and integration of faxing and scanning into a reduced number of multi-function devices will initially achieve approximately £2,263 per year savings for South (£8,863 total less £6,000 savings already taken) and £7,460 per year savings for Vale. In addition there are future costs which can be avoided by proceeding. Further savings should be achievable by removing under-utilised MFDs and by carrying out phase 2 as described above, which could result in further savings by, for instance, removing the need for some printing to be done by external contractors.
58. Cabinet and Executive are separately requested to:

- Approve the award of a contract for multi-function devices to Danwood as the supplier offering the most economically advantageous tender.
- Authorise the Head of HR, IT and Customer Services to make detailed changes to optimise the requirement specification for number of MFDs to be procured following consultation with affected users
- Authorise the Head of Legal & Democratic Services to complete the legal formalities and enter into a Framework Agreement with the supplier.

Background paper contents

1. Benefits of MFDs
2. Procurement process
3. Tender evaluation
4. Vale cashable savings and budget virements

Annexes

- None