

<b>22 July 2020</b>		<b>ITEM: 13</b>
<b>Cabinet</b>		
<b>Multi-Functional Device (MFD) Contract Conversion</b>		
<b>Wards and communities affected:</b> None	<b>Key Decision:</b> Non Key	
<b>Report of:</b> Councillor Deborah Huelin, Portfolio Holder for Central Services and Communities.		
<b>Accountable Assistant Director:</b> Andy Best – Strategic Lead ICT		
<b>Accountable Director:</b> Sean Clark – Director of Finance, Governance and Property		
<b>This report is Public</b>		

### **Executive Summary**

Thurrock Council are currently under an existing agreement for the provision of multi-functional device (MFD) print technology. This contract runs until March 2021, with the option to extend for a further twelve months. However, in line with the Council's future operational requirements a revised commercial agreement is sought to enable the reshaping of existing services.

The **new** contract will introduce new inkjet print technology that that will contribute towards lower operational costs, improve performance and reduce environmental impact and carbon footprint. The contractual savings will be used to implement ICT capabilities for outgoing mail-merge, on-site production of annualised mailings and rollout of the technology to Library locations in support of improved flexible working.

This contract conversion will move the commercial model to a flexible fully managed contract model, which can be adapted going forward to the changing needs of the Council and would be procured using a tender or framework approach.

#### **1. Recommendation(s)**

- 1.1 Cabinet are recommended to grant ICT authority to procure a new MFD contract.**
- 1.2 Cabinet are recommended to grant delegated authority to the Director of Finance, Governance and Property to contract award, in consultation with the relevant Portfolio Holder.**

## **2. Introduction and Background**

- 2.1 Thurrock ICT implemented a new agreement for MFD Print systems in March 2017, which rolled out the current Samsung devices within the office environments and Xerox devices within the Print Room. This contract with Apogee Ltd has an initial term until March 2021 with the option to extend for a further 12 months until March 2022 and currently has 82 devices deployed across the council estate.
- 2.2 The current commercial model is based on a fixed lease cost, for years 1 to 4, and variable usage rates per side of print. The current contract spend under this agreement is averaging a total of £49k per quarter or £196k per annum. With this reducing to Usage 'click rates' only for the 1 year extension period.
- 2.3 The current model provides a number of solutions areas including:
  - Fleet MFD units within operational environments across all council sites
  - High Volume Print Room MFD units at the Civic Offices
  - Public Scanning of documents at Civic Offices into Objective
  - PaperCut and AutoStore software to manage print, document release, activity logging, access control, audit reporting and scanning into Objective.
- 2.4 A total of 82 physical devices supported by PaperCut Software, with AutoStore software having been deployed in the Civic Office for public scanning of documents into Objective. All devices are fully access controlled to ensure compliance with GDPR and tracking of user activities.
- 2.5 Currently the council prints an average of 9 million side of print per annum, of which approximately 24% is printed in Colour and 76% in Mono. This represents a notable reduction from the contracted volumes when originally tendered, which averaged 10.24 million sides of print per annum.
- 2.6 It should be noted that this excludes the annualised print runs for council tax and business rates (CTAX and NNDR), which are currently produced offsite under a separate contract.
- 2.7 The new agreement would use a 'fully managed contract model' which combines the traditional lease and usage charges into a single charge based on number of prints. The advantage of this is that it will enable the council to scale down or up the number of devices required; and more importantly ensure that any additional devices required are deployed on coterminous end dates.
- 2.8 This 'fully managed contract model' will also allow for reconciliation of the number of prints which will enable the Council to benefit financially when print volumes are reduced

2.9 The new agreement will enable the Council to take advantage of advances in print technology and to procure faster, more economical devices which utilise inkjet technology and will enable the Council to reduce its carbon footprint

### **3. Additional Identified Needs**

3.1 Since the commencement of the agreement a number of additional functionality and service area requirements have been identified:

- I. Introduction of job ticketing and job redirection - so that print jobs over a specific size are automatically redirected to the print room systems. Thereby reducing the fleet device requirements and print volume, and challenging staff on the need to print large documents, rather than reviewing them electronically.
- II. Increased need for carbon footprint reduction – which can be met through the use of the latest inkjet page-wide technologies, providing professional document production with a much lower environmental impact for energy use, consumables, manufacturing and waste products.
- III. Reduction in number of devices required within the Operational locations - due to the adoption of flexible working approaches, mobile technologies and upgrading of office locations and meetings rooms conferencing capabilities to reduce printed material requirements.
- IV. Outgoing Postal Documents Mail-Merging – reducing the number of items posted in separate envelopes, through integration of printed materials into single mail-merged items. Note this will require additional software for intelligent barcoding of documents at printing stage, document mail-merging software and updated enveloping hardware.
- V. Network linked enveloping and folder unit compatible with, and controlled by, the PaperCut software for GDPR print audit trail. Enabling full GDPR audit trails from outgoing mail printing and mail-merging, through to the physical letter printing, folding and enveloping.
- VI. Technology rollout to 10 Library & Hub Locations to support improved flexible working for staff; and extend Public Scanning of documents to these locations to reduce public's need to submit documents physically at the Civic Offices.
- VII. Technology rollout to 10 Library & Hub locations to allow improved public printing support and improved income generation for Libraries from fees and charges.
- VIII. Integration of the annualised Council Tax and NNDR Tax runs into an onsite production model with full GDPR audit trails. Rather than having this fulfilled under a separate external contract model.

## **4. Savings**

- 4.1 Introducing the new solutions would focus attention around creating savings through the following routes:
- I. Reduced energy consumption – with the inkjet solutions using much lower levels of energy both in operation and in standby mode, as they have no hot components (transfer plates) used within laser units to fix the toner to the paper.
  - II. Reduced print volumes – by introducing Job Redirection this will identify and deter the unnecessary printing of large documents, and ensure that staff are challenged not to print unnecessarily. In addition the cost of print in the print room is a lower rate.
  - III. Reduced envelop and postage costs – by mail-merging outgoing letters to reduce the sending of multiple letters to the same addresses.
  - IV. Improving GDPR document compliance and tracking, by automating the tracking of all documents sent from point of production through to final outgoing envelope. Removing a number of current manual processes and procedures.
- 4.2 The aim of this would be a targeted reduction of existing print volumes by a minimum of 10% in the first 2 years of the contract. This would be demonstrable in the new agreement by an annual true-up reduction in payments made.
- 4.3 This is considered feasible as the current agreement (which reduced the total number of deployed units) has already achieved a reduction in annual print volumes from originally 10.24 million in FY15-16 when tendered to 9.06 million per annum for the most recent twelve month period i.e. 11.5%.
- 4.4 Savings for energy consumption, postage and paper are covered in other service area budgets and are not included within the cabinet paper.

## **5. Issues, Options and Analysis of Options**

- 5.1 Option 1 – Continue with current contract and extend by 12 months to March 2022

### Benefits

- No change to operational environments
- Allows savings on lease costs to be realised for 1 year extension period of £92.8k

### Negatives

- Does not allow ICT to adapt to meet current and emerging service needs, and support the flexible working agenda

- Only achieves a limited 1 year saving
- Could result in significant costs for transition to new provider, in the event that the incumbent where not successful on contract re-tender in 2022.
- Could result in requirement to run existing solution and new solution in parallel during a transition phase. Negating the 1 year contract extension saving.

5.2 Option 2 – Procure a new fully managed contract model using a tender or framework approach. This would include the termination of the existing agreement by mutual consent, which is already in place.

#### Benefits

- Allows the current contract to be terminated, and new contractual model introduced to meet changed operational requirements and introduce new functionality required
- Leverages current market rates for Inkjet print technology creating a reduction of 40-50% over current usage click rates of 3.5p colour and 0.35p mono per print.
- Creates direct print cost savings which will offset costs for the additional requirements identified for mail-merge, hardware refresh and Library/Hub locations.
- Introduces a more flexible contract model, which allows units numbers to be scaled up/down to the changing operational demands in real-time; with all new devices being on co-terminus contractual terms.
- Creates a direct cost avoidance of £207k for the additional mail-merge and libraries requirements, if they were procured as separate contracts over new 5 year contract term.
- Creates a significant reduction in overall carbon footprint – up to 55% covering primary costs such as energy, and secondary costs such as paper, ink, packaging and manufacturing
- Allows a reshape of the current deployed fleet to meet changing council requirements
- Allows draw down of additional devices during the contract term on coterminous end dates.

#### Negatives

- Foregoes saving for 1 year extension option of £92.8k, in favour of improved saving offset against increased services

## 6 Financials

6.1 Option 1: Extend existing agreement by 12 months

Shown below are the current cost model for the existing agreement, invoicing is done quarterly. Under this arrangement a saving would be achieved in the 1

year extension term of the agreement by the fact that all equipment has been depreciated to zero value over the first 4 year contract term.

<b>Cost Model years 1 to 4</b>	<b>Cost Per Quarter</b>	<b>Cost per Annum</b>
Original Lease charges	£19,835	£79,340
Additional MFD device lease charges	£3,392	£13,568
Annualised Usage Charges	£25,763	£103,052
Annual Cost model – Years 1 to 4	<b>£48,990</b>	<b>£195,960</b>
<b>Total 4 Year Contract Cost model</b>		<b>£783,840</b>
<b>Cost model year 5 extension</b>	<b>Cost Per Quarter</b>	<b>Cost per Annum</b>
Combined Lease Costs	£0	£0
Annualised Usage Charges	£25,763	£103,052
Annual Cost Model – Year 5	<b>£25,763</b>	<b>£103,052</b>
Saving for 5 <sup>th</sup> year extension	<b>(£23,227)</b>	<b>(£92,908)</b>
<b>Total 5 Year Contract Cost Model</b>		<b>£886,892</b>

## 6.2 Option 2 – Procure a new fully managed contract model

The outline cost model for this is shown below, this includes the additional functionality required for mail-merge, Libraries, MFD refresh and additional finishing hardware; as outlined in section 3 previously.

This outline cost model is based on a ‘capitalised hardware and software charge per print’ using a combined cost per print; which baselined on current annual print volume of 9.06 million sides of print per annum results in:

<b>New Solution Model Costings</b>	<b>Quarterly Print Volume</b>	<b>Combined cost per print</b>	<b>Total Quarterly Charge</b>
Black & white charge	1,725,650	2.190p	£37,792
Colour Charges	539,850	3.718p	£20,072
Total Quarterly Charge			£57,864
Total Annual Charge			£231,456
<b>5 Year Cost Model Charges</b>			<b>£1,157,280</b>

Under this model any reduction in print numbers would be reflected in a charge reduction, done as an annual true-up as shown below. It should be noted that this reduction only applies to the print element only of the combined charge:

<b>New Solution Model Costings</b>	<b>Cost per Print only</b>
Black & white charge	1.988p
Colour Charges	1.988p

Based on the earlier section 3.2, a 10% average reduction over the term of the new contract in print volumes would create a cost reduction on the new agreement of:

<b>New Solution Model Savings</b>	<b>Qtrly Print Volume</b>	<b>Combined cost per print</b>	<b>Total Quarterly Charge</b>
Black & white charge	172,565	1.988p	<b>£3,431</b>
Colour Charges	53,985	1.988p	<b>£1,073</b>
Total Quarterly Saving			<b>£4,504</b>
Total Annual Saving			<b>£18,016</b>
<b>5 Year Cost Model Saving</b>			<b>(£90,080)</b>

This would reduce the 5 year model cost as shown below:

<b>Description</b>	<b>Annual Charge</b>	<b>5 Year Cost Model</b>
Combined Cost per print charges	£231,456	£1,157,280
Combined Cost per print Savings	<b>(£18,016)</b>	<b>(£90,080)</b>
<b>Net of Savings Cost Model</b>	<b>£213,440</b>	<b>£1,067,200</b>

## 7. Financial Budgets

7.1 ICT currently have a revenue budget of £227k per annum to cover print solutions technology. Based on the option 2 above, procuring a new contract would enable ICT to upgrade the services provided both internally and to the public facing libraries within existing budget envelopes.

<b>Description</b>	<b>Annual Budget</b>
Current Budget – ICT Print Technology	£227,000
Current Annual Cost model – Lease and Usage Charges	£195,960
New Annual Cost model – Combined Cost per Print – No Savings applied	£231,456
New Annual Cost model – Combined Cost per Print - Net of Savings applied	<b>£213,440</b>

7.2 ICT would therefore be able to introduce improved technology and solution to enable business processes and procedures, without any increase in the current revenue budget allocations.

7.3 Combined cost per print charges would remain fixed for the duration of any new agreement, avoiding annual RPI inflationary increases for the 5 year term. This represent an average of 2.9% per annum compound saving.

7.4 This would also release circa £90k of capital funding currently reserved in the Libraries Digital Modernisation programme to support introduction of further

digital solutions into the libraries environments. And allow for further digital enhancements to the public facing service delivery to be introduced.

- 7.5 Lastly, it should be noted that procuring the additional functionality as separate standalone 5 year contracts would indicatively increase the lease costs as shown below:

<b>Description</b>	<b>Quarterly Lease Charge</b>	<b>Annual Lease Charge</b>
Mail-Merge Solution	£3,724	£14,896
Libraries MFD Solution	£4,905	£19,620
Envelop finisher unit	£1,740	£6,960
<b>Total Annual Lease costs</b>	<b>£10,369</b>	<b>£41,476</b>
<b>5 year contract lease costs</b>		<b>£207,380</b>

This represents a further cost avoidance saving of £207k through combining them with the MFD contract using a 'combined cost per print' model.

## **8. Procurement Route**

- 8.1 The preferred route to market would be a framework direct award based on business continuity and improved business service needs delivery.
- 8.2 Using an existing framework allows direct award which will reduce the implementation timescales of the above contract and defers the requirement to undertake a full procurement tender with the earlier highlighted risks.
- 8.3 Any charges relating to the existing agreement early termination by mutual consent, are confirmed as waived by the incumbent.

## **9. Reasons for Recommendation**

- 9.1 Current service needs are not being supported fully under the existing contractual arrangements. With new hardware and software solutions required by multiple service areas being delayed or not deployed.
- 9.2 This approach enables the introduction of the new solutions required by key front-line facing service areas in a cohesive approach. There have been no contractual issues with the existing incumbent and they have consistently performed to contractual SLA.
- 9.3 This route also allows the early adoption of advanced environmentally friendly inkjet print technologies, and will directly reduce the Councils carbon footprint and environmental impact

## **10. Consultation (including Overview and Scrutiny, if applicable)**

- 10.1 Not applicable – this relates to internal support services

## **11. Impact on corporate policies, priorities, performance and community impact**

11.1 This proposal directly supports the carbon reduction & environmental reduction approaches, whilst enabling improved service delivery internally and externally.

11.2 This approach enables staff to work more flexible and be able to print from any library or Hub location, reducing the need to return to base every time documents need to be printed, copied or scanned.

## **12. Implications**

### **12.1 Financial**

Implications verified by: **Dammy Adewole**  
**Senior Management Accountant – Central Services**

The financial envelope required by IT would remain unchanged, whilst at the same time being able to expand the level of services provided and the number of Council operational and library locations being supported.

### **12.2 Legal**

Implications verified by: **Kevin Molloy - Principal Solicitor**  
**Law & Governance**

This report is seeking approval from Cabinet to tender the contract noted in the report. The proposed procurement being considered is estimated at above the relevant EU threshold for contracts of this type, and this means that there is a legal requirement to competitively tender the contract via the Official Journal of the European Union (OJEU) or via a compliant procurement route such as a framework agreement, and Legal Services note that this procurement will be conducted in accordance with the Public Contract Regulations 2015 ('the Regulations').

Taking the above into account, on the basis of the information in this report, the proposed procurement strategy should comply with the Regulations and Council's Contract Rules.

The report author and responsible directorate are advised to keep Legal Services fully informed at every stage of the proposed tender exercise. Legal Services are on hand and available to assist and answer any questions that may arise.

### 12.3 Diversity and Equality

Implications verified by: **Rebecca Lee – Team Manager**  
**Community Development and Equalities**

The business case does not have any notable diversity or equality implications as this is a refresh of existing print, scan and photocopying technology already in use within the Council IT infrastructure; that takes advantage of changes in the technology & contractual options available, to reduce operational costs and environmental impacts.

Part of the proposed business case will enhance existing services within Libraries improving resident's access to reliable print and photocopying services within the 9 library locations. And will also enable staff to work more flexible using Hub and library locations to scan, copy and print documents.

### 12.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

Not applicable

### 13. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Business case model provided by third party – Parts of this have been reproduced in main paper with the consent in writing of all parties.

### 14. Appendices to the report

- none

### Report Author:

Andrew Austin

Commercial Manager - IT