

HEADING Multi-functional device (MFD) contract

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Portfolio Communications, Policy and Partnerships

Ward(s) affected

Purpose of the Report

To inform Cabinet of efficiencies and savings from the multi-functional device contract and to seek permission to extend the contract in line with agreed procedures.

Recommendations

Cabinet is recommended to:-

- a) Note the efficiencies and savings relating to the multi-functional device contract at the borough council.**
- b) Agree in principle to extending the contract with the current multi-functional device supplier in line with agreed procedures.**
- c) Authorise the Head of Communications to negotiate the terms of the contract extension up to a maximum of two years.**
- d) The Portfolio holder for Communications, Policy and Partnerships is consulted before any extension is agreed.**

Reasons

The contract for multi-functional devices has already helped to generate significant savings for the borough council and contributed to reducing its carbon footprint. Further savings and efficiencies can be made by extending the contract in line with agreed procedures.

1. Background

- 1.1 In the early part of 2010, the borough council began a project which set out to examine whether a more efficient and effective process could be introduced for the provision of desk top printers, copiers, scanners and faxes to staff.
- 1.2 A print investigation undertaken at the time revealed the council had around 190 devices which comprised 76 different machine models provided by 13 separate manufacturers. In terms of expenditure and monitoring of consumables alone this was obviously a very difficult system to operate effectively.
- 1.3 As a result the borough council established a Project Board to deliver a new office print solution at the borough council. This Board steered the council through a process which involved securing a single supplier of multi-functional devices (MFDs) using a Government Procurement Services Framework. The solution was procured by way of a compliant process advertised in the Official Journal of the European Union (OJEU).

- 1.4 Canon UK Ltd was appointed following this procurement process and a contract with the company was implemented by the borough council at the beginning of December 2010. This agreement is for an initial three years with the option of two separate 12-month extensions. This means the initial term with Canon will expire at the end of November 2013.
- 1.5 A user group comprising staff from all directorates was established as part of the transformation process. This group played a key role in helping to shape the final proposals and also provided invaluable feedback, comments and suggestions in the initial implementation stages and during the first two years of the contract.
- 1.6 The group has played a vital role in embedding key messages within the organisation which include:-
 - (i) Reduce expensive colour printing.
 - (ii) Use duplex instead of single-sided printing.
 - (iii) Send all print jobs over 50 pages to the council's print room where high volume printers are in place which can print jobs far cheaper.
 - (iv) Don't print unless necessary.
- 1.7 In addition to the user group, as part of ongoing contract management, the council also holds quarterly liaison meetings attended by officers responsible for the contract at the council and their counterparts from Canon. This has proved a useful arena not only for problem-solving but also as a joint forum for considering how to ensure the contract works most effectively.
- 1.8 The implementation process resulted in the majority of legacy devices being removed from the council with only those which had punitive return costs retained until contracts expired. There remains an opportunity to make additional savings by removing further devices from service areas.
- 1.9 The fleet of around 190 devices was replaced by 24 MFDs from Canon – this has since been reduced by one - and these are located at strategic points around council buildings including the Civic Offices, Jubilee2, Guildhall, depot, Kidsgrove Town Hall, Museum and Art Gallery, Keele Cemetery.
- 1.10 As well as proposing to save the council money, the MFD project also took into consideration issues surrounding the council's carbon footprint and a desire to see this reduced. Reports produced each month throughout the first three year contract using a monitoring tool called Uniflow indicate that the switch to MFDs has in fact been a positive "green" move on the council's behalf. Figures indicate reduced carbon dioxide emissions, energy savings and also fewer trees being cut down because the amount of paper being used by the council in its devices has fallen.
- 1.11 The most up-to-date figures produced by the council's Finance Service show that if the council agrees to run the contract to its full length – the initial three years plus up to two more years – total savings of almost £106,000 will be achieved.
- 1.12 The council will endeavour to improve this position through further negotiations with the contractor if Cabinet agree in principle to the extension of the original agreement.

- 1.13 For a detailed breakdown on the savings and costs see Section Eight – Financial and Resource Implications.

2. Issues

- 2.1 There is evidence throughout this report that the MFD project has already delivered on its key initial outcomes. Money has been saved in the first two-and-a-half years of the contract and there is evidence of “green” outcomes from the project.
- 2.2 Moving forward, the council is well positioned to take advantage of further savings by extending the agreement with Canon while at the same time beginning work on broader print-related issues.
- 2.3 Savings forecasts have been calculated by the council and these indicate that the sums achievable rise significantly if the option to extend is taken up with Canon. These are detailed in the options proposals outlined below.
- 2.4 However, extending the agreement with the MFD provider will also allow officers to consider the best way to deliver a more comprehensive print solution at the council. An agreement with the company that provides the high volume devices in the corporate print room is due to expire in April 2014. And high volume print devices used by the Revenues and Benefits Service for its billing and communications requirements have now been in use for at least a decade and are perhaps coming to the end of their working life.
- 2.5 Extending the agreement with Canon would allow the council more time to consider how it can bring together all the corporate print elements mentioned above into one print solution to provide a more effective service and greater value-for-money. It will also allow the council time to consider the potential for development of shared service arrangements with other print providers.
- 2.6 Aiming to bring all solutions into line by December 2015 – which would coincide with the end of the available extension periods with Canon – would put the council into a position where it can fully explore all efficiencies.
- 2.7 Other options for the council to consider include signing up to a framework agreement. This would enable the council to “piggy back” on to arrangements already in place elsewhere within the public sector or run a mini-competition with a small number of pre-qualified service providers.
- 2.8 Alternatively, the council could decide to run its own procurement process although this is likely to take some time to bring to fruition and would involve significant amounts of officer time and resources.

3. Options Considered

- 3.1 There are three options for Cabinet to consider.
- 3.2 Option one – extend the current contract for MFDs.

Option two – don't extend the current contract and procure a new service provider.

Option three – do nothing.

3.3 Option One – extend the current contract for MFDs

- a) As mentioned earlier, the initial contract with Canon was signed on 1 December 2010 and runs for an initial term of three years with the option to extend for up to two more years.
- b) Savings which have been generated so far, together with forecast budget savings and net expenditure are detailed in the Financial and Resource Implications section of this report. This shows the contract has already produced savings for the council and it is predicted by the council's Finance Service that extending the contract to its full-term of five years will net the council significant savings.
- c) There is also evidence from the Uniflow reporting system - which supports the current MFD contract - that many green benefits are being delivered as a result of scaling back from 190 devices previously operating within the organisation to a reduced, more efficient and modern fleet of MFDs. An extract from the monthly report from Uniflow has been attached for members and in particular this focuses on the contents of the Environmental Analysis section within the report.
- d) Quarterly liaison meetings are held with the council's dedicated account manager from Canon and these are used to troubleshoot issues, ensure the smooth running of the contract and flag up potential new areas of improvement. This group is chaired by the Head of Communications but is also attended by officers with responsibility at the council for ICT, procurement, design and print, finance.
- e) Analysis of the volumes produced by all of the machines in the council's MFD fleet is done on a quarterly basis. This shows that virtually every single machine is operating well within the tolerances which are recommended by the manufacturer.
- f) Reporting protocols for faults and issues have been in place from the beginning of the contract and these continue to work well. Problems and issues are raised at the liaison meetings where actions are identified to prevent difficulties being repeated.
- g) Longer term, by agreeing to a continuation of the contract the council could put itself into a position in December 2015 where consideration may well be given to opening up negotiations with Canon over a purchase agreement for the fleet.
- h) If the MFD fleet were transferred over to the council and a maintenance agreement reached, this could put the council in a position where additional savings could be made. This option has already been pursued by at least one other council in Staffordshire.

	Net Expenditure	Budget	Budget Saving
Budget Savings 2010/11 from Dec 2010	21,310	26,460	5,150
Budget Savings 2011/12	66,910	79,370	12,460
Budget Savings 2012/13	61,870	79,370	17,500
Forecast Budget Savings 2013/14	54,980	70,360	15,380
Forecast Budget Savings 2014/15	31,830	70,360	38,530
Forecast Budget Savings 2015/16 to Nov 2015	15,050	31,830	16,780
Total Forecast Budget Savings	251,950	357,750	105,800

3.4 Option Two

- a) The procurement of multi-functional devices from a new provider is an option open to the council because it is under no contractual obligation to extend the current arrangement with Canon beyond the initial three years.
- b) The council can take one of the following options:-

Go out to tender

- (i) Advice from the council's procurement officer is that if the council runs its own procurement process, it should utilise a "restricted" process. It is advised that this would be the suitable process for this particular service. This would involve a full market tender being drawn up and a process advertised using the Official Journal of the European Union (OJEU) as the amounts involved would exceed the current Public Procurement threshold of £173,934 for services.
- (ii) Interested parties would be asked to complete a pre-qualification questionnaire. Once these had been reviewed, those meeting the necessary requirements would be short-listed. They are then asked to complete a tender submission. These would again be assessed and analysed using set criteria around a range of factors including price.
- (iii) Inclusive of a "stand still" period once a suitable provider has been identified, this process can take up to 120 days and involves a significant amount of officer resource.

Third party to an existing contract

- (i) Stoke-on-Trent City Council has recently signed an agreement with Xerox to replace its fleet of multi-functional devices. Following discussions with the city council, the borough council has been able to sign up as a "named party" to this contract.
- (ii) This arrangement means the borough council can place an order under the contract and be entitled to the same terms and conditions, variety of machines and also prices which colleagues in Stoke-on-Trent have arranged for their own contract.
- (iii) This could benefit the council in several ways. Firstly, it means that there is a reduced requirement on the borough council with regards to providing officer resource when compared to the option outlined above.

- (iv) It can also lead to savings as the council is able to piggy back on to the economies of scale that much larger organisations are often able to negotiate with suppliers.
- (v) It can also mean any teething troubles which can often arise when bedding in new contracts with suppliers have often been ironed out by the experiences of the initial procurement process. In essence, organisations which “piggy back” on to established arrangements benefit from the learning of others.
- (vi) As mentioned above, informal discussions have already taken place with the city council’s supplier involving the borough council’s procurement specialist. And initial comments from the supplier suggest that in the short-term they would not be able to exceed current forecast savings and they endorsed the council’s proposals for seeking to extend arrangements with the existing supplier and aim for a single print solution in the near future.

Framework agreements

- (i) There are a number of framework agreements in operation but following discussions with the council’s procurement specialist, it is likely the Government Procurement Service (GPS) framework is the one the borough council would opt to use.
- (ii) These framework arrangements enable the council to take advantage of Government approved centralised procurement solutions that enable greater savings to be generated for all public sector organisations. By maximising competition and leveraging supplier innovation, the GPS framework in particular is able to demonstrate savings as it has with the council’s existing contract.
- c) Other issues for Cabinet to consider with regard to Option Two include the fact that the arrangements referred to above would probably result in reduced savings. That is because this type of contract tends to deliver the greatest savings the longer they run. This is because as machinery gets older and is used more, the residual value to the provider reduces and they reflect this lower value in dramatically reduced leasing and other costs. However, it is unlikely savings will be greater overall than what is already anticipated from Canon.
- d) Bringing in a new provider for MFDs would also rule out the possibility of the “one provider solution” talked about for December 2015 earlier in this report.

3.5 Option Three - Do Nothing

If the council does not take any action then the existing arrangement with Canon would come to a natural end in December 2013. However, this would leave the council without a fleet of multi-functional devices and the significant contribution they make to the daily workings of the organisation. Therefore, it is not recommended that this option be given any consideration.

4. Proposal

- 4.1 The difficult financial situation facing the public sector inevitably means that councils have to look at making the utmost of each and every contract.

Extending the current contract with Canon will not only net substantial savings for the council but also makes a significant contribution to its green credentials.

- 4.2 Total anticipated savings of £105,800 over the life of this contract make a significant contribution to the council's efforts to reduce expenditure.
- 4.3 However, agreeing to the recommendation also opens up the opportunity for an approach which could generate further savings in the future.
- 4.4 As mentioned earlier this could be either through a single provider solution for a range of council print requirements instead of the three solutions currently in place. Or it could mean something more innovative involving purchase/ maintenance only arrangements.
- 4.5 It would also provide the council with a window of opportunity of up to two years to develop shared service negotiations which have already begun with other public sector partners in Staffordshire to see if proposals can be brought forward for Cabinet to consider which generate further efficiencies and savings.

5. Reasons for Preferred Solution

- 5.1 The borough council's Medium Term Financial Strategy indicates savings of at least £2.2 million will be required during the next financial year with four further years of savings required after that.
- 5.2 Within that context it is important that projects which deliver savings are taken forward and developed as far as possible.
- 5.3 After consideration of all the options available with this contract it is felt by officers that extending the Canon MFD contract for up to two years – subject to negotiations with the provider by the Head of Communications and Portfolio holder sign-off - is the best way forward at this stage for the council.

6. Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

- 6.1 The appendix to this report indicates that the MFD solution currently in place at the borough council is making a contribution to reducing the council's carbon footprint as well as reducing the impact of its actions on the environment through reduced paper and energy usage.
- 6.2 Extending the current arrangement would therefore increase this contribution to sustainable outcomes.
- 6.3 Ensuring council services can operate efficiently and effectively contributes to all of the corporate priorities and the success of the MFD project means its continuation enables services to maintain this performance.

7. Legal and Statutory Implications

- 7.1. If the council is to pursue the recommended option then it is required to formally notify Canon UK Ltd that it is extending the current agreement.
- 7.2 If the council decides to pursue an open tender process then it must act according to the current public procurement rules and regulations over values and processes.

8. Equality Impact Assessment

- 8.1 An Equality Impact Assessment has been in place since the initial contract was agreed and this remains relevant if the preferred option to extend the existing arrangement in principle is agreed by Cabinet.

9. Financial and Resource Implications

- 9.1 The financial implications for the council are clarified in some detail in section three which deals with the various options available.
- 9.2 In summary, estimates from the council's Finance Team suggest that if the existing contract is extended to its full five-year term then over the life of the contract savings should amount to £105,800 on current estimates.

10. Major Risks

- 10.1 A full risk assessment has been completed using the council's corporate risk monitoring system GRACE.

11. Key Decision Information

- 11.1 A decision to extend the contract with Canon UK Ltd would result in further expenditure by the council in excess of £50,000 and therefore this requires Cabinet approval.

12. List of Appendices

Appendix One – extract from the Uniflow monitoring report