

12 July 2023	ITEM: 16 Decision: 110661
Cabinet	
Review of Mail Room and Print Services	
Report of: Andy Best, Strategic Lead IT	
Accountable Assistant Director: N/a	
Accountable Director: Jackie Hinchliffe Director HROD and Transformation and Mark Bradbury Director of Place	

Executive Summary

Since 2020, the Council has adopted smarter working practices and created efficiencies in the way we work, this has reduced the usage of our Multi- Functional Devices (MFD's).

Our current contract for MFD's has been extended for 6 months to enable us to review our requirements. As part of our commitment to transforming working practices and making tangible savings, this report sets out a proposal to streamline our MFD, post and mailroom services.

We will drive a reduction from the current 2.4 million pages of print by analysing the current print data to target areas of large print to target a 50% reduction in paper usage in year 1 and will put in place a print policy to ensure further reduction in future years.

We will target a 50% reduction in the 562,000 pieces of outgoing mail through the implementation of digital solutions and by targeting the use of email where appropriate to target a reduction in volumes.

We will be reducing the number of devices from the current 90 devices down to a maximum of 30 to reduce the rental cost of devices.

Recommendation

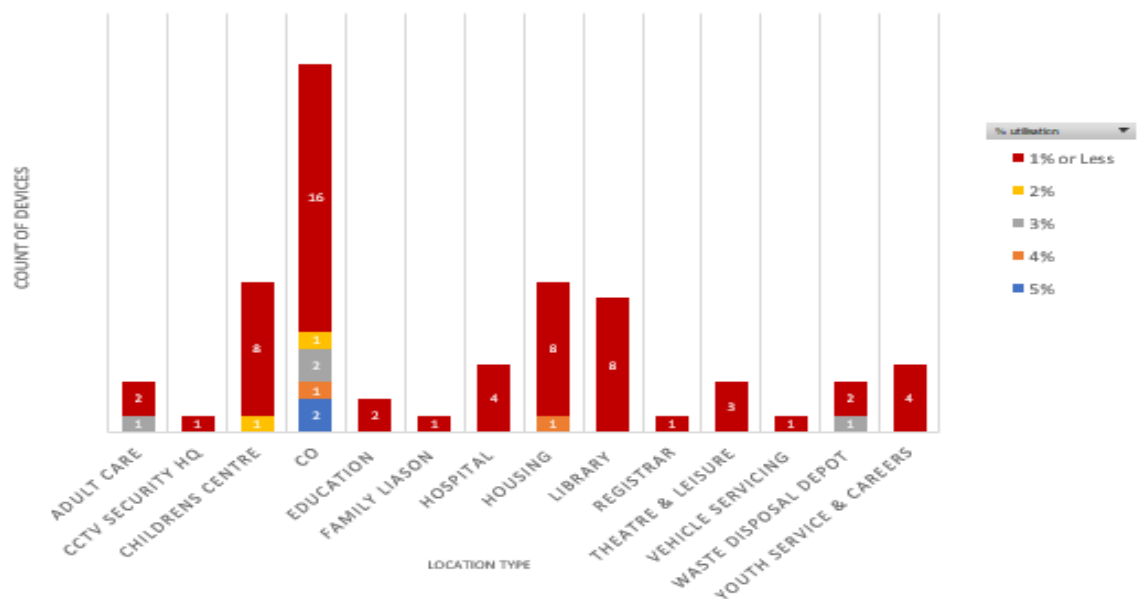
- 1.1 **That Cabinet approves carrying out a combined MFD, bulk printing & mailroom tender exercise for a contract of 3 years with an option for an extension for a further 2 years. Once the tender has been completed this will be brought back to cabinet for a decision on which option to proceed with.**

2. Introduction and Background

Current MFD and bulk print fleet

- 2.1 The Council's current print fleet has consisted of 90 devices across 34 locations with a mixture of floor standing and desktop Samsung MFD's within the office environments and three Xerox printers within the mailroom used for bulk printing. In addition to this we use software called Papercut that enables the council to audit usage, This software also has the capability to charge directorates individually but that option was not installed.
- 2.2 The contract with the current supplier, Apogee, has been extended twice since its initial term ending in March 2021. The current term is due to expire in March 2023, but a 6-month extension has been proposed to enable the Council to conduct a review of the current solution.
- 2.3 The current fleet of MFD's are now 7 years old, acquiring spares is becoming increasingly difficult as they are now end of life and this is impacting customer service considerably. Currently 25% of devices are offline at any given time, with an average 1.5 repair callouts reported per day. The newer technology that is available is also far more energy efficient than these devices.
- 2.4 The MFD's across the estate collectively produced 2.4M printed pages in 2022. An analysis of data highlights that the majority of MFD's across the fleet are considerably under-utilised. There is an opportunity to streamline the number of MFD's in operation and create a number of print hubs across the borough. This will enable the Council to drive down the amount of printed material they consume, reduce paper usage, cut carbon emissions, work towards an ambition to reduce print volumes by 50% over the next 1 year, whilst maintaining access for all users.
- 2.5 The graph below summarises the location of devices and the overall utilisation of each MFD. It clearly shows that a large majority of MFD's are running at 1% utilisation meaning that there is an opportunity to rationalise the number of MFDs and locations where they are installed. Utilisation on each device is calculated by taking the number of pages printed per annum and dividing by the maximum annual printing capacity of that device. Annual Printing capacity is derived from the PPM rate of the device (pages per minute; usually between 40 -100), multiply by 60 for hourly rate, multiply by 7hrs for daily rate, multiply by 250 working days for a per annum rate. There is an opportunity to create a number of strategic print hubs across the borough.

A graph to show the count and utilisation of devices at each location.



Central print service

- 2.6 There are 3 bulk printers hosted in the mailroom in the Civic Offices - 2 black and white and 1 colour. Like the MFD's these are part of the main contract with Apogee and due to their age parts are becoming increasingly difficult to source, leading to lengthy outages at times.
- 2.7 The Mailroom staff provide a personalised print service for teams across the council. Printing approx. 2.4M pages (c. 10K pages per day) in 2022. Print jobs include, mail merge and letters, booklets, panel packs, legal packs, leaflets, and business cards, large format maps and schema printing. Other responsibilities include reprographics, page and layout design, checks and quality control, hand delivery where required.
- 2.8 Although papercut software has the capability, currently we are not recharging of print cost to directorates making visibility and accountability for print cost reduction very low. Jobs are often cancelled while in progress due to client errors and reprints requested with little visibility or consequence for the cost of such errors.

Mailroom Operations

- 2.9 The current mailroom covers a variety of print, post and archive operations with an FTE of 3.5. Discussion with staff suggests the two main areas in the mailroom are Print (70% of time) and Outgoing Mail (22% of time).

Postal Service

- 2.8 Outbound and inbound mail is handled manually in crates. In bound mail is delivered to pigeonholes, whilst parcels and secure mail is delivered in person to the correct department.
- 2.9 The Mailroom sends around 35,000 units of outbound mail per month. Each outbound unit requires a high number of touch points including preparing print jobs, enveloping, franking and preparing for collection.

Current Equipment

- 2.10 The majority of equipment in the mailroom is leased and the equipment for the services currently provided onsite includes franking, enveloping, mail opening, hole punching, form folding & stapling, laminating and binding. This is currently costing £400k per annum, this includes £315k franking costs.
- 2.11 Current equipment contracts are with several different third-party suppliers including Pitney Bowes, Apogee and Cannon, all of the contract end dates are all in the 23/24 financial year. There is an opportunity to consider alternative solutions that could deliver better value for money as part of single provider tender that would be compared against existing in-house solution.

3. Issues, Options and Analysis of Options

- 3.1 The following options will have impacts on staff, working practices, services cost and existing supplier contracts.

Option 1

- 3.2 A like for like procurement for the replacement of MFDs, and bulk printing equipment in the mailroom. No changes to the existing bulk printing mailroom and post service.
- Staff costs will continue at current level
 - No change to working practice
 - Minimal savings achievable
- 3.3 This option does not realise any cash savings; does not deliver any efficiencies or modernisation and we will be paying for equipment that will not be fully utilised.

Option 2

- 3.4 A rationalised MFD fleet, targeting a minimum 60% reduction to the number of devices and replacement of the bulk printing devices in the mailroom but no changes to the existing bulk printing mailroom and post service.

This would:

- Involve the creation of print hubs across the borough enabling a rationalised MFD fleet saving of £15K per annum. Reducing print volumes will increase this figure through less click rate charges and paper usage.
 - Give the opportunity to offer better value as the driving of volume to a reduced number of devices will ensure a higher % of utilisation on each device.
 - Provide replacements for the current end of contract high Volume print equipment and potential to change working practices.
- 3.5 This option realises a small cashable saving of £15k per annum by creating a number of hubs throughout the borough and would start to drive changes to working practices. However, it does not drive any significant efficiencies and does not take advantage of the new technology solutions and services that are available from 3rd party suppliers for other services that are provided.

Option 3

- 3.6 Carry out a combined MFD, bulk printing & mailroom tender exercise for a contract of 3 years with an option for a further 2 years so that the Council can use the outcome of to see if it is achieving best value.

This would include:

- Outsourcing the bulk printing facility and also consider digital mail solution
- Single contract with one provider.
- A potential reduction in staff costs, subject to TUPE and consultation
- Potential for bulk print and Mailroom Operational efficiency savings of £223k per annum
- Creation of print hubs across the borough enabling a rationalised MFD fleet saving of £15K over per annum. Reducing print volumes will increase this figure through less click rate charges and paper usage
- Opportunity to rationalise franking costs through greater use of Intelligent Notification Software (INS) and the use of digital mail

- Drive changes to existing working practices to make them more efficient and modern through the use of the advances in technology
- 3.7 This option would enable the Council to baseline existing mail and post services, identify potential cost savings, rationalise the print solution, align multiple contracts to a single supplier and deliver transformation, efficiency and cost savings line with overall aspirations of the council. It would also enable the Council to explore alternatives to reduce postage costs.
- 3.8 The potential savings associated with this option are:

Current cost of Outbound Mail & bulk print

		2023/24 in 000's
<i>Overheads</i>	Staff x 3.5	126
<i>Fixed term</i>	Xerox Mono x 2 + Colour x 1 (100ppm)	17
<i>Fixed term</i>	Print Software & Offline Inserter + Support	30
<i>Fixed term</i>	Quadient Enveloper Lease x 2	-
<i>Fixed term</i>	Pitney Bowes (Enveloper + Franking machine x 2)	31
<i>Fixed term</i>	Cannon A1 Plotter Lease	6
<i>Fixed term</i>	Cannon A1 Plotter maintenance	4
<i>Variable</i>	Cannon A1 Plotter Consumables	-
<i>Variable</i>	Xerox Click Rate ppp	4
<i>Variable</i>	Pitney Bowes Franking cost	314
<i>Variable</i>	Est Paper & Envelops	19
<i>Variable</i>	80 Devices 60PPM w/ internal finishers	42
	Total Cost	596

Indicative Potential savings

- As an example, a reduction in MFDs from 90 devices to 30 devices (70PPM, full staple finishing / paper drawers etc) would save approximately £15,000 per annum. Further saving would be made if print volumes reduced through lower click rate cost and reduction in paper cost.
- By driving down the print volume by 50% we would achieve an annual saving of £7k per annum based on the current print per page charge rates
- By reducing our outbound post by 50% we could achieve an annual saving of £163k per annum
- An efficiency review of the mailroom operations could achieve a saving of £60k

Note: Lease costs for existing devices are click rate only as the MFD's are all end of life.

The expected savings highlighted are the ambitious but with the right cultural shift, policy changes and digital solutions contract we should expect to achieve based on initial discussions with suppliers and other local authorities.

4. Reasons for Recommendation

4.1 The recommendation to test the market for a combined solution offers the following opportunities to: -

- Modernise the Council's current mailroom operations
- Drive efficiencies and realise financial benefits
- Eliminate lease and operational costs associated with bulk printing equipment housed in the mailroom
- Significantly reduce overhead costs associated with estate wide MFD printers which are currently underutilised.
- Give the Council the largest savings opportunity
- Start to drive changes to working practices
- Reduce our carbon footprint
- Create, potential for digitisation of mail
- Simplify contract management and improve management reporting

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 The list of duties undertaken by the mailroom has been provided through a series of conversations between Zani Mathoo, Michael Cunningham, Martin Skingsley and Sam Bundy. Further consultation will be needed with users of the services, as whilst other options offer the opportunity for efficiencies, the council's culture in respect of how it uses these services will need to adapt. (For example, it will not be practical in future for large "walk in/while you wait" print jobs to be done and staff will need to take more responsibility for checking documents, before they are sent for print, as the print room staff are providing an element of quality control at present.)

6. Impact on corporate policies, priorities, performance and community impact

6.1 The recommendation will support the Council's ambition to transform service delivery and reduce costs.

7. Implications

7.1 Financial

Through the procurement and alignment of the multiple contracts that make up the Mail and print services there are estimated potential budget savings of £245k for the mail and print service. Inflation for staff costs have been assumed at 3% pa. The existing contract is at a fixed annual cost and the recommended proposal assumes a 5 year contract based on fixed unit costs. The indicative saving amounts may vary and will be dependent on the outcome of a tender process. The savings are anticipated in the 2024/25 financial year.

Further saving could be achieved through increased use of the Intelligent Notification system software (INS) and the reduction of franking costs by exploring what mail could be sent digitally. Consideration could also be given to re-charging directorates for print services to make them accountable for spend rather than one single centralised budget.

Implications verified by: **Rosie Hurst**
Interim Senior Management Accountant

7.2 Legal

1. The recommendation is to commence a procurement process for mail room and print room services for a period of 3 years with an option to extend for a period of 2 years
2. The Council under the Localism Act 2011 has a general power of competency, as it gives the Council the legal capacity to do anything that an individual can do, that is not specifically prohibited. In addition the Council has a general power under section 111 of the Local Government Act 1972 to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its functions. Section 111 therefore provides Councils with a general power to enter into contracts for the discharge of any of their functions.
3. The Council's procurement of services including printing services are governed by:
 - i. the Local Government Act 1999, which requires the Council to make arrangements to achieve best value in the exercise of its functions
 - ii. the Council's Contract Procedure Rules and the general fiduciary duties placed on Council's.

- iii. The Public Contracts Regulations 2015 (**'Regulations'**) require service and supply contracts over the value of £ 213,477 (inclusive of VAT) to be advertised in Find a Tender and to be let competitively, in accordance with the Regulations, there is also a requirement for the process to be transparent and non-discriminatory .
4. The General Data Protection Regulations and the Data Protection Act 2018 are applicable whenever personal data is processed, certain health and social care data is classified as sensitive personal data. The officers will have to consult with their respective Data Protection Officer as to the applicable processing and security requirements prior to the award of the contract.
5. The Transfer of Undertaking Protection of Employment Regulations 2006 as amended (TUPE) apply whenever there is a termination of a service contract, on termination of the current contract, the Council will have to discuss with the current supplier Apogee and any other incumbent supplier if TUPE will be applicable.
6. Provided the contract is awarded as outlined in the legal comment there is little risk of a successful challenge.
7. Cabinet can make the award to the successful supplier.

Implications verified by: **Lauretta Faulkner**
Contracts Solicitor Law and Governance

7.3. Diversity and Equality

Should SLT agree to proceed with Option 3, a CEIA will be completed as part of the scoping exercise to determine D&E implications and inform decision-making.

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

8. Appendices to the report

- None

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HROD and Transformation