



**Open Report on behalf of Andrew Crookham,
Deputy Chief Executive & Executive Director - Resources**

Report to:	Councillor M J Hill OBE, Leader of the Council (Executive Councillor for Resources, Communications & Commissioning)
Date:	29 January to 2 February 2024
Subject:	Approval to Award a Contract for the Managed Service of the Council's Multi-function Devices (MFDs)
Decision Reference:	I031867
Key decision?	Yes

Summary:

The Council's contract for the provision of multi-functional devices (MFDs) expires on 31st March 2024 with no further provisions for extension. This report sets out a proposed course of action including the approval to award a new contract and the delegation of the necessary decisions following a procurement exercise.

Recommendation(s):

That the Leader of the Council and Executive Councillor for Resources, Communications and Commissioning:

1. Approves the award of a contract to Hewlett Packard Apogee for the provision of a fully managed service for the Council's Multi-Functional Devices.
2. Delegates to the Deputy Chief Executive and Executive Director for Resources authority to determine the final form of the contract and approve the entering into of the contract.

Alternatives Considered:

1. Not Awarding the Contract

Scanning, printing and photocopying are essential functions at the Council. Although significant inroads have been made into reducing the volume of physical printing, this has resulted in a greater reliance on document scanning which itself relies on an effective MFD fleet. In addition, there are a number of areas within the Council where physical printing is still required for legal or practical reasons making MFDs an essential tool for Council business. As such this alternative is not recommended.

2. Purchase the fleet of MFDs and procure separate contracts for the associated services

An alternative approach is to purchase the current fleet of MFDs from Konica Minolta and secure separate contracts for the print management software and the maintenance and repair of MFDs. This would however involve a significantly greater degree of operational complexity and management which would be difficult to undertake with the resources and expertise available to the Council (for example we have no recent experience of keeping the MFDs maintained and operational). It is also not clear if this option is possible because there is no contractual obligation for Konica Minolta to sell the current MFD fleet to the Council. Furthermore, the current fleet of MFDs is ageing with machines becoming more unreliable which could potentially adversely affect the running of Council business. It is unlikely that this approach can offer the same value as the bid from Hewlett Packard Apogee and as such is not recommended.

Reasons for Recommendation:

The course of action proposed is compliant with the Public Contract Regulations and the procurement route undertaken is a tried, tested and efficient route to procurement. MFDs are an essential tool in Council business and the Council requires the flexibility to adapt to changes such as the property rationalisation programme, developing technology and the location of teams across the Council's campus and their requirements for MFD devices. The fully managed model provides this flexibility and with the resources and expertise to help the Council to make efficiencies in the usage of MFDs which may be supplemented with a print management policy. Furthermore, the commercial model and price profile of the bid from HP Apogee will allow for further reductions in cost as the Council realises these efficiencies. Indications from comparing such services with other councils are that the bid from HP Apogee offers good value to the Council for this service.

1. Background

1. The Council utilises multi-function devices or 'MFDs' extensively for printing, scanning and photocopying. Across its estate the Council operates 213 MFDs which, in 2023, processed approximately 8 million prints, copies or scans (known as 'impressions').
2. Significant efforts have been made over recent years to reduce usage and to remove devices from the fleet, however where there is a requirement to share hard copy information with others it needs to be done by either printing off hard copies or scanning. Consequently, whilst the Council is using less paper this doesn't see a like for like reduction in impressions where the hard copy (not necessarily originated in the Council) has to be scanned. There remains a number of high usage areas within the Council where printing and or scanning is still required for legal or practical reasons a few examples include:
 - a. SEND amendment notices (after attempting to use email)
 - b. Highways road closure notices which have to be posted to affected addresses

- c. Adult care assessments and case closure letters which cannot be communicated via email
 - d. Children's Life Story Books for Children in Care – large colour documents
 - e. Legal material including large court bundles – although courts and parties to litigation accept electronic versions additional copies requested by the court or the parties are provided in hard copy form by the Council.
 - f. Registration certificates
 - g. School admission appeal papers
3. The Council's contract for the provision of MFDs is with Konica Minolta ('KM') and consists of the following elements:
- a. The provision of MFDs on a lease basis
 - b. The supply of toner and other consumables for MFDs
 - c. The maintenance and repair of MFDs
 - d. The provision of a print management system which is the software interface between the MFD user and the MFD device network
4. In general this contract has performed well and the Council has a good working relationship with KM: account managers have been effective, KPI's have been achieved consistently and requests for changes dealt with quickly.
5. In readiness for the expiry of the contract a procurement exercise has been conducted utilizing the CCS RM6174 (MFDs, Print and Digital Workflow Software Services and Managed Print Service Provision) framework agreement, a well-established route to procurement with 9 major suppliers, ensuring a good level of competition from organisations capable of servicing a large requirement such as the Council's.
6. The Council's requirements have been stipulated as:
- a. An initial contract term of 5 years with options to extend by 2 further periods of 12 months for a total potential contract term of 7 years
 - b. A fully-managed service whereby the supplier is responsible for designing, implementing, and managing the service to deliver the Council's required outputs and outcomes
 - c. Pricing dependent on usage only, with no minimum volume guarantee, and independent of MFD volume, type or location.
 - d. MFD capability to meet or exceed that of existing fleet for each device
7. There are a number of benefits to the fully-managed model, especially given current uncertainty over the location of teams on the Council campus and their requirements for MFD devices. One such benefit is that this model is agnostic of the number and type of devices deployed across the Council (within reason) and provides flexibility to adapt to changing requirements.

8. 6 bids have been received and analysis of these bids provides the following insights:
 - a. There is a good level of interest in the Council's requirement, with 6 bids received from major MFD suppliers
 - b. That bidders are concerned that the Council has opted not to guarantee any minimum volume of impressions through the contract and as such some have increased the unit rate for low volumes which means there is no opportunity for the Council to make savings by reducing usage.
 - c. There is a high level of variation in bid prices ranging from £175,000 per annum up to £500,000 per annum (based on current MFD usage).
 - d. That certain bidders have adopted an illogical (but not necessarily indeliberate) pricing strategy the result of which will be irrational pricing behaviours through the contract for volume variations (for example we will pay less for more MFD usage).
9. Bids have been evaluated and the winning bidder has been identified as Hewlett Packard Apogee, a large, multinational MFD provider with a location in Lincoln. Their bid was high quality, scoring 62.5% out of 70% available for quality.
10. The estimated cost of this bid based on current usage volumes is £175k per annum yielding a total estimated contract value of £1.225m over 7 years. As well as being the highest quality bid it was also the lowest priced bid.
11. The pricing is fixed for the initial contract term of 5 years. Should the Council exercise the extension options at years 6 and 7 good faith negotiations can take place regarding the contract pricing, however both parties would need to agree any increase in writing for it to become effective. There is no indexation linked to the contract.
12. The cost of the current contract was £480k per annum for the initial term (between 2017 and 2021) reducing to £230k per annum in 2023 as a result of falling volume and reducing MFD lease payments along with Smarter Working target reductions due to changes to how we work and property rationalisation. The Council's budget for 24/25 is £150k per annum in expectation of further efficiencies which might be achieved.
13. Comparisons undertaken with other local authorities including Norfolk, Hertfordshire, Derbyshire and Gloucestershire indicate that this bid represents an advantageous price to the Council for its MFD provision.

Future improvements for additional cost savings

Under the commercial model and price profile of the winning bid, there are a number of routes to potential cost savings which may bring the cost of MFDs to below the budget; measures being considered are:

- a. The implementation of a corporate MFD usage policy to include consideration of:
 - i. restrictions on the number of MFDs per building
 - ii. consolidation of MFDs

- iii. promotion of digital means and technological solutions
 - iv. rationalisation of print activity through the central 'Print and Post' function
 - restrictions to MFD capabilities to ensure appropriate use e.g. restrictions on colour prints
- b. Further reductions in the volume of impressions through targeted communications and actions with specific high-volume users/services
 - c. Proactively encourage customers/the public to interact with us through digital means of communication
 - d. Commission a full review of our current set up through the selected provider – identify the issues and problems and what the 'as is' and 'to be' could be, and how we can use our existing technology to do better (e.g. can we apply rules to print to stop local printing or colour printing).

During this contract period there will be a change in the delivery model for corporate support services which will internalise printing costs. However, these are expected to represent a nil net change.

2. Legal Issues:

Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.

- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision-making process.

A separate Equality Impact Assessment has not been undertaken. However, the contract supports the Council to enable front line services to be more responsive within the community including services that support individuals who may have a protected characteristic such as people with a disability and younger and older people.

Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health and Wellbeing Strategy (JHWS) in coming to a decision.

The contract supports the Council to ensure front line services are able to maintain contact and provide support, therefore maximising independence and wellbeing which is consistent with the principles underpinning the JSNA and the JHWS.

Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

The decision is not considered to have any implications for the section 17 matters.

3. Conclusion

A further competition exercise has been conducted utilising the Crown Commercial Service's RM6174 (MFDs, Print and Digital Workflow Software Services and Managed Print Service Provision) framework agreement and 6 bids were received. The winning bidder has been identified as Hewlett Packard Apogee with a score of 92.5%. The cost of the bid based on current usage volumes is approx. £175k per annum however under the commercial model of the new contract there are a number of routes to potential cost savings which may bring the cost of MFDs to below the budgeted values.

4. Legal Comments:

The Council has the power to enter into the contract proposed which is compliant with the Council's procurement obligations.

The decision is consistent with the Policy Framework and within the remit of the Leader of the Council

5. Resource Comments:

The proposal set out within the report will enable the Council to continue to utilise multi-functional devices to support the delivery of Council services. The contract price is broadly similar to the current budget provision, which has been reduced in recent years to reflect lower printing volumes. As the contract is priced to be dependent on usage only, there continue to be incentives for the Council to further reduce volumes and cost, as set out in the report.

6. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This report will be considered by the Overview and Scrutiny Management Board at its meeting on 25 January 2024. The comments of the Board will be reported to the Leader of the Council prior to the decision being taken.

d) Risks and Impact Analysis

See the body of the Report

7. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Leanne Fotherby, Commercial and Procurement Manager who can be contacted on leanne.fotherby@lincolnshire.gov.uk.