

# AGENDA ITEM No. 12(b)

NORTH LANARKSHIRE COUNCIL

## BRIEFING REPORT

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE	Subject: PROCURING CHANGE PHOTOCOPIERS/PRINTING MANAGEMENT
From: HEAD OF REVENUE SERVICES	
Date: 16 August 2005	Ref: BC/CC

### 1. Introduction

- 1.1 The Council has a number of contract arrangements, separately and through the Authority Buying Consortium (ABC), relating to the purchase/rental of printers/photocopiers/faxes and consumables.
- 1.2 This request outlines the status of the current arrangements, actions taken to rationalise/improve these arrangements, and proposals for future opportunities to improve the Council's procurement of these goods and services.

### 2. Background

- 2.1 The Council currently has the following arrangement in place for its procurement needs.

Photocopiers – contract in partnership with other Authorities arranged through ABC	}	£865,000
Faxes – contractual arrangement in place through NLC		
Printers – contractual arrangement in place through G CAT		
Consumables – contractual arrangement in place through ABC		

- 2.2 At present the Council operates through 4 separate contracts with the purchase of consumables being part of the general stationery contract let in conjunction with ABC.
- 2.2 Given the significance of the spend within these areas and the continuing reliance on all Council Departments upon these types of service/goods, it is an area where an examination of the service and the opportunities to harness the developing technology could improve both service and financial benefits.

### 3. Photocopiers

- 3.1 The current contract had a termination date of July 2005. The terms of the contract are framed such that the copier machines are taken on 5 year leases. Any copiers, which were taken out at the commencement of the contract, would therefore expire in July 2005. Any copiers which were taken after that date would continue to run through to the completion of their lease term even if an alternative supplier were appointed following the tender exercise.

- 3.2 There are approximately 560 photocopiers across the Council. Following the recent tender exercise one of the current suppliers, Xerox, has agreed to a variation of their existing pricing to reduce the cost of their machines through to 30 December 2005. This will realise a one-off saving of £62k across the Council, rising to £106k if all existing machines are kept up to that date. Decisions on the retention of machines till December 2005 will be based on the cost, functionality, and replacement availability of machines from the new contractor, and be taken by departments representatives in conjunction with the Procurement Team.
- 3.3 The Council has agreed to a new photocopier contract, which has resulted in 3 new suppliers being selected. As indicated in paragraph 3.1 the contract for each individual machine with the current supplier will continue to termination at which point a replacement machine may be sought from the new contract, assuming a continuing need for the equipment exists. The pricing structure for photocopiers is predominantly based on the anticipated volume of copies per month. The expected cost of each machine is based on a monthly rental (increasing level of charges as monthly copier volume increases) and copy charge (decreasing level of charge as monthly copier volume increases).
- 3.4 In analysing the new contract opportunities and determining the optimum way forward for the Council there is clearly a need to ensure that the appropriate photocopier is selected based on anticipated monthly copy volumes. Using data obtained from existing copiers detailing the current annual usage allows a comparison of the current copier contract costs to be made against the future copier costs on the new contract terms selecting the appropriate photocopier for the level of monthly copies. The savings identified for the Council are shown in paragraph 3.5.
- 3.5 The new contract has been secured on more favourable terms and is generally expected to realise a 16% saving based on a like for like comparison. As outlined in paragraph 3.4 the Council's approach to replacement based on the appropriate photocopier reflecting monthly copy volumes will achieve a 36% saving. These savings will accumulate over time as photocopiers are replaced and the timeline for realising the savings is shown in the table below.

<b>YEAR</b>	<b>IN-YEAR SAVING</b>	<b>CUMULATIVE YEARLY SAVING</b>
06/07	250,800	250,800
07/08	21,900	272,700
08/09	25,500	298,200
09/10	14,200	312,400
10/11	2,800	315,200

- 3.6 A breakdown of the one-off £62,400 price variation detailed in paragraph 3.2 and the ongoing savings of £315,200 contract benefits detailed in paragraph 3.5 are summarised below by department.

	Annual Spend	Price Variation	CONTRACT BENEFITS					Ongoing
			Annual					
			5/6	6/7	7/8	8/9	9/10	
Finance	10,600	-	3,500	300	200	700	400	5,100
Admin	16,000	2,700	4,500	300	800	800	200	6,600
C Exec	15,300	2,000	2,100	2,000	1,300	700	-	6,100
Comm Srv	75,900	10,200	19,400	5,600	9,800	4,700	1,300	40,800
Education	614,000	28,100	166,500	3,000	4,800	6,200	500	181,000
S Work	84,800	12,100	33,800	8,300	4,300	500	300	47,200
H & P	33,300	5,000	12,200	1,700	4,300	600	100	18,900
P &E	14,700	2,300	8,800	700	-	-	-	9,500
<b>Totals</b>	<b>864,800</b>	<b>62,400</b>	<b>250,800</b>	<b>21,900</b>	<b>25,500</b>	<b>14,200</b>	<b>2,800</b>	<b>315,200</b>

#### 4 Consumables

- 4.1 The Council currently has a contract for stationery which includes the opportunity to buy printer cartridges/toner replacements for printers and faxes. The suppliers have branded, non-branded and recycled cartridges. At present the Council's spend is spread over 8 different suppliers, however, 2 suppliers dominate with 84% of the spend being sourced through them. An opportunity exists to rationalise the existing spend through compliance, contributing to the reduction in spend.
- 4.2 The proliferation in the number of printers and faxes in recent years has brought with it an increasing need to purchase such consumables. Approximately £400,000 is spent per annum on these items across all Council departments. A significant proportion of such printing is for short-term use with long-term retention of the documents being done electronically.
- 4.3 There is a considerable pricing differential between branded and non-branded, where non-branded cartridges can be up to 60% cheaper than the alternative branded. A test of the reliability, durability, and quality of the non-branded alternatives has been carried out. The results indicate that the non-branded alternatives produce; comparable number of copies per cartridge, provide an equivalent print quality, and present no additional technical/compatibility problems when in use. A further benefit of the non-branded cartridges is the use in production of recycled components leading to a more environmentally friendly cartridge supporting long-term sustainability of the resources used in cartridge production.

- 4.4 The potential savings in promoting the purchase of non-branded cartridges taking into account the volumes of print, consolidation of supplies, and the price differential is £82,000 per annum. It is proposed that the contract availability of branded items be removed and all future purchases be made from the non-branded alternatives. A departmental analysis of the savings is shown below.

DEPT	SPEND	ANNUAL SAVING
Finance	52,700	11,000
Admin	20,900	4,300
C Exec	7,100	1,500
Comm Srv	56,000	11,700
Education	136,500	28,400
S Work	60,800	12,600
H & P	32,200	6,700
P & E	28,000	5,800
<b>TOTAL</b>	<b>394,200</b>	<b>82,000</b>

## 5 Savings

- 5.1 The Policy & Resources (Finance) Sub-Committee of 7 September 2004 approved within the report "Developing e-Procurement", that the savings realised would be subject to a virement from departmental budgets to provide funding for the procurement project and provide resources for the Council to reinvest in priority projects or services. In accord with this the virement for the savings identified in paragraphs 3.3 and 4.4 is summarised below.

DEPT	PHOTOCOPIERS			CONSUMABLES			TOTAL		
	5/6	6/7	Ongoing	5/6	6/7	Ongoing	5/6	6/7	Ongoing
Finance	-	3,500	5,100	6,000	11,000	11,000	6,000	14,500	16,100
Admin	2,700	4,500	6,600	2,700	4,300	4,300	5,400	8,800	10,900
C Exec	2,000	2,100	6,100	1,100	1,500	1,500	3,100	3,600	7,600
Comm Srv	10,200	19,400	40,800	5,000	11,700	11,700	15,200	31,100	52,500
Education	28,100	166,500	181,000	16,900	28,400	28,400	45,000	194,900	209,400
S Work	12,100	33,800	47,200	5,200	12,600	12,600	17,300	46,400	59,800
H & P	5,000	12,200	18,900	2,600	6,700	6,700	7,600	18,900	25,600
P & E	2,300	8,800	9,500	2,100	5,800	5,800	4,400	14,600	15,300
<b>Totals</b>	<b>62,400</b>	<b>250,800</b>	<b>315,200</b>	<b>41,600</b>	<b>82,000</b>	<b>82,000</b>	<b>104,000</b>	<b>332,800</b>	<b>397,200</b>

6 Recommendation

The Committee is asked to:-

- 6.1 Approve the use of non-branded cartridges solely as detailed in Section 4.
- 6.2 Approve the virement of budgets reflecting the savings identified in Paragraphs 3.6 and 4.4.

Members wishing further information please contact Mr Brian Cook, Head of Revenue Services,  
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**Director of Finance**