

## WEST DUNBARTONSHIRE COUNCIL

### Report by Executive Director of Corporate Services

Corporate & Efficient Governance Committee: 24 March 2010

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**Subject: In-house Reprographics and Printing & Finishing Competitiveness Testing**

#### **1. Purpose**

- 1.1** The purpose of this report is to provide an update on the outcome of the benchmarking/competitiveness testing exercise carried out on the Council's in-house reprographics and printing and finishing services which are currently provided by Legal, Admin & Regulatory Services and Finance & ICT respectively.

#### **2. Background**

- 2.1** A report was submitted to the Corporate & Efficient Governance Committee in September 2009 seeking Committee's approval to design a specification that would allow the in-house services to be measured, benchmarked and assessed competitively. The following actions were agreed:-
- A specification would be developed and made available to 3<sup>rd</sup> party suppliers for completion and return.
  - The in-house services would also complete the specification.
  - The results of returns received would be analysed and used to measure and benchmark the in-house service against the costs and quality provided by 3<sup>rd</sup> party suppliers.
  - A report detailing the outcome of the findings of the competitiveness exercise would be submitted to Committee in the last quarter of 2009/10.
- 2.2** A review of the printing and finishing service is also required due to the fact that the hardware and software used by Finance & ICT has reached the end of its working life and investment in new equipment will be required to ensure the continuation of a quality and reliable service.
- 2.3** Before embarking on this investment and focusing a Best Value Audit challenge to demonstrate the competitiveness of services, a number of options for ICT printing and finishing service were identified
- Develop the service in-house
  - The merging of both in-house services
  - Shared service with other public services
  - Test the competitiveness of the combined ICT printing and reprographics services in the marketplace

**2.4** To ensure best value and transparency it is necessary to measure and benchmark / test the effectiveness of the current in-house printing, finishing and reprographics services against those available in the marketplace.

### **3. Main Issues**

#### Existing In-house Services

**3.1** In order to assess the costs of external providers, the base cost of the current in-house service was evaluated and the annual costs estimated as follows:-

**3.2** The estimated annual costs of providing the current level of service are:

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Printing & Finishing	£67,100	£88,690	£91,500
Reprographics	£174,800	£174,800	£174,800
Total in-house	£250,900	£261,500	£266,300

**3.3** The costs include :

Printing and Finishing – one FTE and an allocation of resources  
Reprographics – two FTE and one part-time employee (30 hours) and an allocation of resources

**3.4** The increase cost in printing & finishing represents increased maintenance costs associated with new equipment that would need to be acquired.

**3.5** Indicative costs for capital investment required for printing and finishing are

Year 1 £59,250 - Automailer, Print Management/Development Software  
Year 2 £40,000 - Printer  
Year 3 £75,000 - Automailer, Printer

**3.6** Should the in-house printing & finishing service continue, then a programme of investment in new equipment will be essential over the next three years

**3.7** The cost of financing capital expenditure is not included in the above calculation. If this is financed by borrowing over five years, the cost would be 24% per annum of any borrowed sums

**3.8** An additional capital bid of £170,000 will be required for the procurement of new equipment, which will be essential should the in-house option be agreed. Alternative strategies for procurement could also be considered.

**3.9** A specification of requirements questionnaire was developed to incorporate the requirements of both services.

#### Competitive Testing Exercise

**3.10** In order to compare the cost and quality of the current in-house services, the questionnaire along with the printing and reprographic annual volumes was sent to a number of suppliers inviting them to complete as part of a benchmarking exercise.

**3.11** We contacted the following neighbouring councils who confirmed that their printing services were either fully or partially outsourced

- Glasgow City Council
- Renfrewshire Council
- Inverclyde Council
- Argyll & Bute

**3.12** The questionnaire was sent out to ten third party suppliers, four local authorities and one police constabulary. The list is shown in Appendix A.

**3.13** Three returns were received, no returns were received from Local Authorities.

**3.14** It should be noted that the returns are indicative and have not been subject to the scrutiny of tender evaluation.

**3.15** The following table summarises the financial year one cost finding from the returns:

<b>Provider</b>	<b>Printing &amp; Finishing</b>	<b>Set Up Costs</b>	<b>Reprographics</b>	<b>External Printing</b>
WDC + capital investment	£115,000 approx	£10,000	£174,800	Inc. in cost of reprographics
Company A	£83,970	£8,000	£30,000	N/A
Company B	£76,200	£80.00 per hr	£30,150 to £78,380 *	N/A
Company C	N/A	N/A	£297,000	£1,270

\* The cost quoted is dependent on the mix of mono and colour photocopying. The lower figure assumes 100% mono, the higher assumes 100% full colour.

**3.16** It is envisaged that the printing and finishing costs will decrease as more on-line services are introduced minimising the need for printed output. e.g. on-line payslips, creditors BACS remittances. However, it is important when developing the specification, to investigate and include other areas within the Council where high volume printing is carried out or provided by external companies.

**3.17** The WDC quality and service delivery was also benchmarked against the returns This is shown in (Appendix B)

**3.18** The following table summarises the service delivery/quality outcomes. The highest score meeting most of the Council's current requirements. It should be noted that this is based on our existing equipment but that investment may increase some of our scores.

	<b>WDC</b>	<b>Company B</b>	<b>Company A</b>	<b>Company C</b>
Percentages	73%	83%	78%	42%

**3.19** At present the current in-house services are, on occasions, required to work on a supply on demand basis. An example being the production of all job evaluation letters and contracts. This work required on-going testing and numerous changes by Finance & ICT before final approval to print was received from Human Resources.

- 3.20** It should be noted that an external supplier may not be able to provide this level of collaboration or responsiveness.
- 3.21** Council Standing Orders dictate that agendas and reports must be available to Elected Members not less than 9 clear working days before the date of a meeting. The production of these documents is carried out by the reprographic service and hard copies are hand delivered to Elected Members' homes on the day of printing. Electronic copies are also available on the day of production via the Council's Committee Management Information Service (CMIS).
- 3.22** If an external company was to produce these documents, procedures would need to be in place within the Council that allowed the Committee team sufficient time to check and prepare the paperwork before it was sent to print. The current arrangements whereby the Committee team accept late reports right up to and including the day of production would not work under an external arrangement and, therefore, a timetable for the submission of reports would need to be rigidly adhered to in order to comply with Standing Orders. It would seem appropriate to capture and identify this potential loss of benefit in any evaluation process as we will presumably be identifying benefits which any outsourcing may bring elsewhere in the evaluation.
- 3.23** Any evaluation process would also need to capture the fact that the Council would remain responsible for the property costs associated with the premises from which the current print services are delivered, or alternatively would seek to pass these on to external bidders.
- 3.24** External Service Level Agreements (SLA) would have to be agreed with the supplier to agree delivery timescales, change requests and new developments.
- 3.25** Internal SLA's may also be required to ensure that agreed notification is received for unscheduled jobs.
- 3.26** It is still very unclear if the existing service is competitive or would be competitive if the two print rooms were brought together. Given the need to replace the printing equipment and given the economies of scale that an external print service might bring to use of such equipment, there is probably a good argument to expose printing to tender. This is particularly so where the Council has a number of urgent demands on its capital. The next question is whether the in-house team can submit a bid. To do so they would have to submit a bid on behalf of a joint team, perhaps assuming the saving of a post and also assuming that the Council would fund the capital costs of the new equipment, the revenue costs of which would be Included in the bid

Merge of in-house Reprographics and Printing and Finishing Services

- 3.27** The merging of the Finance & ICT and Legal, Admin & Regulatory Services printing and finishing and reprographics services could be considered
- 3.28** Currently there are three FTE posts within the Admin & Legal reprographic service, one FTE within the Finance and ICT printing and finishing services. The proposed merging of these services could allow the reduction of at least one FTE, potentially delivering efficiency savings.

- 3.29** Due to the low level of technical knowledge required for operation of both services, the merging should be straightforward and require minimal training to maintain a combined service.
- 3.30** Finance and ICT development staff would provide support and development for set up of print jobs as required. As with all ICT work this would be actioned through the ICT Service desk procedure.
- 3.31** It should be noted that the merging of the services would still demand the upgrading and replacement of hardware and software.
- 3.32** The reprographic and finishing and printing services are located in the basement in Garshake Road. If the services were externalised the accommodation could be offered free of charge to the successful supplier
- 3.33** The accommodation could also be offered to other services if deemed appropriate.
- 3.34** On the face of it, if these capital costs are included, the in-house team does not score highest in terms of cost and quality. This is perhaps not surprising as external print services will have economies of scale in terms of the extent to which they can use this expensive machinery. However, if the service is externalised, it will be subject to TUPE and to the "*Statutory Guidance To Local Authorities On Contracting – The Treatment Of Employment Issues When Exercising A Power To Enter Into A Contract*", under Section 52 of the Local Government in Scotland Act 2003. It is uncertain if an external contractor's costs will be as competitive once these factors are considered and are included.
- 3.35** Compliance with this Statutory Guidance also requires the Authority to ensure Trade Union involvement in any procurement process, including input to the evaluation process. The processes mirror the processes adopted for PPP and are intended to ensure potentially transferring a workforce has the ability to raise any issues and ensure that employment and pension rights are protected.

#### **4. Personnel Issues**

- 4.1** An element of in-house support would still be required to manage the external service
- 4.2** If the in-house service was retained, rationalisation and retraining of staff from both services could potentially reduce staff costs.
- 4.3** If an outsourcing exercise is undertaken, Trade Unions would be invited to participate in line with the statutory guidance mentioned above.

## **5. Financial Implications**

- 5.1** The current cost of providing Finance & ICTs printing and finishing service is disaggregated within departmental budgets. The cost of the reprographic service is recharged back to user departments throughout the financial year. Should any arrangements be undertaken to outsource the services, budgets would have to be vired to a central budget where payments to contractors would be charged
- 5.2** Capital investment within financial year 2010/11 would be required for printing and finishing equipment if the in-house service was retained.

## **6. Risk Analysis**

- 6.1** There is a risk that Finance & ICT will be unable to continue to provide existing services with the outdated software and hardware currently being used is not replaced or an alternative provider of this service sought.
- 6.2** There is a risk that the Council could invest in hardware but the service demand within the Council may decrease in future years, in line with recent trends towards more localised departmental printing.
- 6.3** The same flexibility of service and responsiveness currently available may not be provided if an external provider was selected.

## **7. Equalities Impact**

- 7.1** No significant issues were identified in a screening for potential equality impact of this report.

## **8. Conclusions and Recommendations**

- 8.1** Committee is asked to note the outcome of the competitiveness benchmarking exercise.
- 8.2** Committee is asked to note that arrangements are already in progress to merge the Finance & ICT print and Legal, Admin & Regulatory Services printing, finishing and reprographics services to provide a more efficient in-house service by rationalising overheads.
- 8.3** Committee is asked to note that continuation of the in-house ICT printing services would still require the upgrading and replacement of hardware and software.
- 8.4** Committee is also asked to agree to a competitive tender exercise with external providers being carried out to ascertain whether the rationalised services be retained in-house or out-sourced

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**Joyce White**

**Executive Director of Corporate Services**

**Date: 10 March 2010**

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**Appendices:** Appendix A- Benchmarking Matrix

**Background:** An Improving Council

**Ward Affected:** None

### Printing Questionnaire

The suppliers listed below have been invited to respond to the printing questionnaire issued by West Dunbartonshire Council on Friday, 8 January 2010.

<b>Glasgow City Council</b> City Chambers Glasgow G2 1DU	
<b>Argyll &amp; Bute Council</b> Kilmory Lochgilphead Argyll PA31 8RT	
<b>Renfrewshire Council</b> Wilma Mathews Renfrewshire House Cotton Street Paisley PA1 1UJ	
<b>Inverclyde Council</b> Municipal Buildings Greenock PA15 1LY	
<b>Humberside Police</b> Barry Attwood Printing Officer Fleet & Supplies Unit 30 Derringham Street Hull HU3 1EP	
<b>Document Outsourcing</b> Jim McKerchar Document House Phoenix Crescent Strathclyde Business Park Bellshill ML4 3NJ	



<p><b>Neopost Ltd.</b>  Paul Tunncliffe  Neopost House  South Street  Romford  Essex  RM1 2AR</p>	
<p><b>Altodigital UK Ltd</b>  Gavan Duffy  Somerville House  Leathley Road  Leeds  West Yorkshire  LS10 1BG</p>	
<p><b>Canon (UK) Ltd</b>  Barrie Fransworth  Woodhatch  Cockshott Hill  Reigate  Surrey  RH2 8BG</p>	
<p><b>The Danwood Group Ltd</b>  Chris Brown  Head Office  Harrison Place  Whisby Road  Lincoln  LN6 3DG</p>	
<p><b>Ikon Office Solutions (UK) Ltd</b>  Simon Jones  IKON House  30 Cowcross Street  London  EC1M 6DQ</p>	
<p><b>Konika Minolta Business Solutions (UK) Ltd</b>  Tony Fethney  Miles Gray Road  Basildon  Essex  SS14 3AR</p>	

<b>Oce (UK) Ltd</b> Peter McCartin Willow House Kestrel View Strathclyde Business Park Bellshill North Lanarkshire ML4 3PB	
<b>Ricoh UK Ltd.</b> Helen Markey Ricoh House 1 Plane Tree Crescent Felham Middlesex TW13 7HG	
<b>Xerox (UK) Ltd</b> Enrico Buglione 2020 Meriden Business Park Copse Drive Meriden CV5 9RG	

## Appendix B

<b>Stationery</b>	<b>WDC</b>	<b>DOL</b>	<b>Oce</b>	<b>Humberside Police</b>
The minimum size of paper/stationery which can be used?	2	3	3	3
The maximum size of paper/stationery which can be used?	3	3	3	3
The minimum weight of paper/stationery which can be used?	3	2	4	4
The maximum weight of paper/stationery which can be used?	2	3	3	4
The minimum size of envelopes which can be used?	2	4	4	3
The maximum size of envelopes which can be used?	3	4	4	4
<b>Printers/Finishing equipment</b>				
Do you provide full colour printing?	0	5	5	5
Do you provide full colour photocopying?	5	5	5	5
How many sheets of paper can be included in an envelope?	3	4	5	0
How many inserts can be included in an envelope?	3	5	4	0
Do your envelopers recognise OMR marks?	5	5	5	0
Can you pressure seal documents using a 'C' fold?	5	5	5	0
Can you pressure seal documents using a 'Z' fold?	5	5	5	0
Do you meet Girobank standards for printing of bank giro credits?	0	5	5	0
Do your printers provide stapling functionality?	5	5	5	5
Do you provide binding facilities?	5	3	5	5
Do you have booklet making facilities?	5	3	5	5
Can you provide large plan copies (A0, A1 and A2 size)?	5	1	5	5
<b>Administration/Security/Convenience</b>				
Describe how your customers can monitor progress of their printing requests/scheduled work?	3	5	3	3

How are you notified that print files are available for printing?	4	4	4	3
How do you transfer files to your printers?	4	4	5	3
How are the printing of files prioritised?	3	4	4	3
Can you accommodate the printing of jobs at short notice (e.g. within 1 hour) & if so, would this incur an additional cost?	5	3	4	2
Where inserts are required with notices (e.g. DD mandates), are these printed as/when required or is a stock held?	5	5	4	5
Describe your procedure for the use/storage of controlled stationery such as cheques?	4	4	5	3
We have occasions where print jobs need to be checked before the printed output is enveloped. Can you accommodate this and how do you do it?	5	3	3	0
Can you provide electronic copies of printed output (e.g. P60s)?	0	5	5	0
Can your provide reprints of specific records within a file? How do you do this?	3	5	4	0
For reconciliation purposes, do you provide daily statistics which list the name of the print file and the number of pages which were printed?	3	5	5	0
Please specify any file formats which you support (e.g. CSV, PDF)	5	3	5	1

WDC is regularly asked to add information messages to payslips for specific files. Do you provide a similar service?	5	5	5	0
If requested, can you supply your customers with blank copies of the print templates which are used by them? How do you do this?	5	4	3	0
WDC will shortly introduce a new payroll system - could you describe the process that you would go through to set up the printing of notices from a new system?	5	2	2	0
How do you identify print files and consequently how they should be printed? Is this done automatically and if so, how?	5	2	2	1
If an electronic signature needs to be updated on a print job, how would you deal with this?	5	3	2	0
What contingencies do you have in place in the event of a disaster?	1	4	5	1
<b>Scores</b>	<b>131</b>	<b>140</b>	<b>150</b>	<b>76</b>
<b>Total Possible Score</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>
<b>Percentage</b>	<b>73</b>	<b>78</b>	<b>83</b>	<b>42</b>

