


<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>CABINET</b></p> <p><b>4 FEBRUARY 2019</b></p>	
<p><b>CLOSURE OF ON-SITE PRINT SERVICES</b></p>	
<p><b>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</b></p>	
<p><b>Open report</b> A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p><b>Classification - For Decision</b></p> <p><b>Key Decision: Yes</b></p>	
<p><b>Consultation</b> Affected staff to be consulted.</p>	
<p><b>Wards Affected: All</b></p>	
<p><b>Accountable Director:</b> Director of Corporate Services, Mark Grimley</p>	
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## 1. EXECUTIVE SUMMARY

- 1.1. This report recommends the closure of the on-site printing service provided by Hammerprint, resulting in two potential redundancies, the costs of which are still to be confirmed.
- 1.2. This proposal will result in an additional on-going costs to the Council of £30,000 per year when compared against existing performance and this will be managed within the Corporate Services budgets in 2019/20. Closing the service will avoid an estimated £460,000 of premises costs over four years from reduced town hall decant costs.
- 1.3. There is an historic income target for the print service and the service is forecasting a budget shortfall of £144,000 in 2018/19. The closure of the service will mean that this target will not be met on an ongoing basis. This shortfall is currently being managed by mitigating actions within Corporate Services and will be expected to be managed by the Department in 2019/20. Corporate budgets will

be reviewed during the year to identify savings to resolve the underlying budget pressure.

## **2. RECOMMENDATIONS**

- 2.1. To approve the closure of the on-site printing service provided by Hammerprint resulting in the deletion of two posts, as set out in option 3. Funding for any redundancy costs will be met from the Corporate budget provision for these costs.

## **3. REASONS FOR DECISION**

- 3.1. The redevelopment of Hammersmith Town Hall necessitates the decant of all services, including Hammerprint. The decant project team are currently unable to source premises that can accommodate the current print operation. To do so would incur estimated costs (based on current floor space and market rental/purchase rates) of £115,000 per year, over four years (£460,000 in total). The current properties being investigated for the decant do not have the ground floor space required by the heavy print machines or the road access for bulk paper deliveries. Therefore, an on-site print service would be difficult to accommodate, and an additional building would need to be found.
- 3.2. The move to agile and paperless working is reducing the level of demand for some kinds of print work. The council is investing in new technology to meet its ambition to reduce its spend on print still further.

## **4. PROPOSAL AND ISSUES**

- 4.1. Hammerprint income has consistently exceeded costs over recent years. Its income targets are met largely through internal recharges (£35,000 was generated from external trading in 2017/18). As a result of previous savings targets, Hammerprint has been expected, for some years, to produce a surplus by adding an on-cost on externally-sourced jobs – to bank print savings at point of delivery rather than by applying the saving to service print budgets.
- 4.2. However, Hammerprint has never achieved the budgeted levels of surplus. For 2017/18, Hammerprint was budgeted to achieve a surplus of £229,000, but achieved a surplus of £88,000.
- 4.3. Hammerprint, as a whole, has budgeted fixed costs of £191,000: £32,000 in copier lease costs and £159,000 in staff costs. Fixed costs include three staff members plus the costs of leasing four digital copiers (at £32,000 per year until November 2019). Production costs – paper, supplies, ‘click charges’ and the cost of buying print from external suppliers – vary according to demand.
- 4.4. Income targets are currently met through a direct charge for print jobs produced by the on-site services and through on-costs added to the value of work bought from external suppliers.

## **5. OPTIONS AND ANALYSIS OF OPTIONS**

- 5.1. An options analysis has been done to establish how best to meet the council's printing needs for the future.
- 5.2. **Option 1 – continue with the current service**
- 5.3. With declining demand for print services, there is little prospect of the current service being able to meet existing income targets.
- 5.4. Moving the current Hammerprint service to new premises during the town hall decant is likely to cost in the region of £460,000 over four years.
- 5.5. This option has therefore been rejected as unsustainable.
- 5.6. **Option 2 - Outsource litho and digital print buying via a managed service**
- 5.7. The council has explored the option of drawing down a managed print service and on-site digital printing under the existing print framework with Ricoh. Or it can access existing government print frameworks to do this.
- 5.8. This would involve a managed service supplier sourcing print work through either their own supply chain, or via an on-site team, depending on the specification of each job – much as Hammerprint does now.
- 5.9. An external supplier would provide a link officer as part of the contract. However, capacity for contract monitoring and management will need to be retained in-house to ensure value for money. The print manager post could continue to provide this function, funded by retaining current on-costs on print jobs.
- 5.10. That would leave two posts surplus to requirements.
- 5.11. There could be reduced space for an on-site print service when the town hall is decanted to a new building for a four-year period. A new on-site service would need to include fewer copier machines and reduced capacity, but this could be sufficient to meet services' needs. There would be a corresponding increase in deliveries of externally-produced material.
- 5.12. Access to out-of-hours emergency printing and express jobs would form an essential part of the specification, but is likely to be more limited under an agreed set of service standards compared to the flexible in-house offer which currently provides an instant printing service for small-run emergency jobs.
- 5.13. Evaluation of the value for money offered by the external contractor would be done via the pricing of a basket of typical jobs at the outset of the contract. The scale of external suppliers' business would potentially allow access to better prices resulting from their greater buying power with third-party suppliers.
- 5.14. Any contract with a managed service supplier would need to demonstrate competitive quotes had been sought for each job and be closely monitored by

experienced council officers.

5.15. However, like-for-like print prices are difficult to evaluate over the longer term. The specification for print jobs varies widely from job to job. Outside the evaluated basket of goods, there is considerable scope for any external buyer to inflate charges for the majority of jobs, either by over-specifying requirements (ie ordering high-quality paper or non-standard finishing processes), or because there is no existing price comparator.

5.16. While it is possible that an outsourced solution could meet the council's print requirements at lower cost, this cannot be safely determined for the reasons set out above.

5.17. Therefore, this option is not recommended.

**5.18. Option 3 - End on-site printing but retain print-buying capacity in-house**

5.19. An external managed service option would not be needed if the council decided to manage without an on-site service. The majority of work is already procured from a wide range of external contractors via competitive bids for each job. The number of jobs that need urgent or confidential treatment has declined significantly over recent years, to the extent that an on-site service is difficult to justify.

5.20. Closing the on-site bulk printing service is likely to result in an increase in bulk copying via the MFD network.

5.21. The remaining in-house work could be transferred to existing external suppliers without the need for any new contractual arrangements. The external litho and digital supplier frameworks were [re-tendered in November 2017](#) to ensure they provide competitive prices.

5.22. It is proposed that the post of Print Manager be retained to provide client-side contract monitoring and brokerage services to secure best value print and production. The justifications for this proposal are:

- To bring professionalism and experience to negotiating prices for individual jobs
- To provide day-to-day advice on print specifications – it is easy to over-specify numbers, paper quality and production techniques without some experience of print buying, with consequential loss of value for money
- The Print Manager currently plays a useful role in challenging whether individual print jobs are needed at all and, as part of the corporate communications team, enables the co-ordination of print work with other communications activities
- To enable best value by combining job orders where possible and overseeing job prioritisation – without this, services will find it difficult to negotiate priority from suppliers when they need it
- To monitor complex contractual arrangements across all print services to ensure requirements are being delivered at best value
- To trouble-shoot problems with orders

- To continue to police the application of corporate identity and presentation standards
- To work with suppliers to drive down costs and develop future savings proposals.

5.23. In light of the anticipated decline in print volumes in future, it is proposed to review the need for the Print Manager role after a year, and then each year after if needed.

5.24. Option 3 is the recommended option for the future delivery of services.

## **6. CONSULTATION**

6.1. Consultation with affected staff is in progress.

## **7. EQUALITY IMPLICATIONS**

7.1. There are no anticipated negative impacts on any groups with protected characteristics under the terms of the Equalities Act 2010 (age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity race; religion or belief, and; sex) from the closure of the on-site print services.

7.2. *Implications verified by: Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.*

## **8. LEGAL IMPLICATIONS**

8.1. Hammerprint is not a separate legal entity, it is just the brand name of the council's in-house service. Therefore, there are no contracts with Hammerprint to terminate or otherwise deal with.

8.2. The council will continue to hire the print equipment from Ricoh under their existing contract – no changes to this contract are proposed in this report.

8.3. The printing that still needs to be undertaken will be done with third party companies with whom the council already holds contracts. These contracts, such as the lithographic print framework agreements, have been procured in accordance with the Public Contracts Regulations 2015 ("PCR 2015") and/or the council's internal Contract Standing Orders as applicable. Provided that the additional work performed under these contracts does not result in a contravention of regulation 72 of the PCR 2015 (for example, by taking them substantially over their estimated value as set out in any OJEU contract notice), then this will not present any procurement law risk.

8.4. *Implications verified/completed by: Hector Denfield, associate with Sharpe Pritchard, on secondment to the council; hdenfield@sharpepritchard.co.uk*

## 9. FINANCIAL IMPLICATIONS

- 9.1. Further information is set out in the exempt report on the exempt Cabinet agenda.
- 9.2. The net budget for the Hammerprint service is a net income budget of £229,000 in 2018/19.
- 9.3. The recommended option would necessitate the deletion of 2 posts and the retention of the current print manager post (with support from the existing Communications team) funded by continuing to apply an on-cost on all jobs commissioned. This would result in a cost saving of £81,000 per annum on salary costs. There would be potential one-off redundancy costs in line with the council's redundancy policy, the costs of which have not yet been confirmed.
- 9.4. The council would no longer lease bulk copiers from Ricoh, saving £32,000 per annum in fixed lease costs.
- 9.5. Work currently done on-site by Hammerprint could be sourced from existing framework suppliers (in-house prices are similar to a typical basket of goods priced by external bidders during the letting of the existing external print frameworks last year). It is expected that this would result in an increase in these costs of £38,000.
- 9.6. Because of the proposed closure of onsite printing, the service will not be able to meet the overall income target, and therefore there are no budget savings that can be realised as a result of any reduced costs.
- 9.7. The figures above assume reduced income as a result of some jobs stopping and other jobs being produced locally on MFDs. By closing the existing service, there is a risk that there could be an increase in MFD costs as printing volumes may increase internally with officers opting to use the council's MFD network for bulk print jobs. However the impact of this is unknown at this stage.
- 9.8. Should the recommended option be chosen and print buying is retained in-house, there will also be an annual cost pressure of £174,000. This is made-up of an existing shortfall against income targets of £144,000 and an extra £30,000 shortfall from the new arrangements.
- 9.9. The print service budget sits within the Corporate Services department. The current pressure arising from not achieving the income target is being managed through mitigating actions within Corporate Services. The closure of the service will mean that this income target will not be met on an ongoing basis.
- 9.10. The estimated shortfall of £174,000 identified for 2019/20 is expected to be addressed through a review of existing Corporate Service budgets and charges during the year which will seek to resolve the underlying budget pressure.
- 9.11. *Implications completed by: Andre Mark, Finance Manager, tel. 020 8753 6729*
- 9.12. *Implication verified by Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145*

## **10. IMPLICATIONS FOR BUSINESS**

- 10.1. The transfer of work currently undertaken in-house to existing suppliers will increase revenue for those suppliers. The business implications of setting up existing framework agreements were included in the relevant approval reports for those frameworks.
- 10.2. *Implications verified/completed by: Albená Karameros, Economic Development Team, tel. 020 7938 8583.*

## **11. COMMERCIAL IMPLICATIONS**

- 13.1 The existing litho frameworks were set up in November 2017, running for four years and with a notional value of £1.6million over that period, although the report noted that demand is variable and the frameworks do not commit the council to any specific contract spend. Together with the existing contract for the MFDs, these existing arrangements provide sufficient headroom for increasing demand, resulting from the closure of the on-site Hammerprint service, to be met without the need for further contract to be agreed.
- 13.2 The council's commitment to reducing print spend, and its investment in technology to enable staff to operate in a print-free environment, is designed to result in lower print expenditure over future years.
- 13.3 *Implications verified/completed by: Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.*

## **12. IT IMPLICATIONS**

- 12.1 The strategy to move away from providing an internal bulk printing service is supported by the Desktop Strategy where officers will be able to access information electronically on the move, and reduce the need for printing.
- 12.2 However, there is a risk that some services will find it easier to do more bulk printing themselves due to perceived difficulty in commissioning external parties. This could increase the cost of the variable charge from our third-party suppliers. Printing on the Ricoh MFDs costs an average of 0.2p for black and white pages, and 2.5p for colour.
- 12.3 Departments would not see the impact of that change in behaviour because the cost of running the Ricoh service is managed corporately by IT, whereas commissioning of bulk print jobs comes from departmental budgets.
- 12.4 IT Services can monitor usage and flag with relevant services if there's an increase in local bulk printing, however at this point it is difficult to predict whether there will be any impact, or to what level, on the IT operational budget.
- 12.5 *Implications verified/completed by: Veronica Barella, Chief Information Officer, tel. 020 8753 2927.*

### **13. RISK MANAGEMENT**

- 13.1 This proposal mitigates the on-going financial risk of Hammerprint income targets being un-met. It also mitigates the risk to the Town hall refurbishment programme associated with the costs and practicalities of moving and housing an on-site print service, both should be seen in consideration of Being Financially Ruthlessly Efficient, improving the Environment, and the trend towards increase in use of digital and mobile technology and away from printed paper.
- 13.2 Implications verified by: Michael Sloniowski Risk Manager, tel 020 8753 2587, mobile 07768 252703.

### **14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

None