

Finance and Resources Committee

10.00am Thursday 9 June 2016

Contract Award for the Supply and Distribution of Groceries and Provisions from 1 July 2016 until 30 April 2020

Item number	7.13
Report number	
Executive/routine	Executive
Wards	All

Executive summary

This report seeks approval to award a contract to Brake Bros Ltd for the Supply and Distribution of Groceries and Provisions from 1 July 2016. This is a direct award under the Scotland Excel framework which runs from 1 May 2016 to 30 April 2020.

The estimated contract value is £5.2million per annum.

Links

Coalition pledges	P43, P49
Council outcomes	CO1
Single Outcome Agreement	SO2 SO3

Adoption of a Scotland Excel Framework for the Supply and Distribution of Groceries and Provisions

Recommendations

- 1.1 That Committee approves the award of a contract to Brake Bros Ltd for the Supply and Distribution of Groceries and Provisions from 1 July 2016 until 30 April 2020.

Background

- 2.1 The Scotland Excel Framework for the Supply and Distribution of Groceries and Provisions has been renewed from 1 May 2016 until 30 April 2020. The renewal incorporates a number of enhancements to the current framework with the inclusion of locally sourced produce where possible, greater brand flexibility and an agreed product substitution list.
- 2.2 As part of a strategy development for this framework, Scotland Excel conducted a core product review against the current framework and three lots were agreed incorporating the updated range of products. This lotting structure recognises the current structure of the market and was designed to align more closely with Council requirements. The lotting strategy continued to maximise opportunities for Small and Medium Enterprises (SMEs).

Table 1: Lotting Structure

Lot No	Description	No of Products	Estimated % of Spend
1	Dairy and Chilled Products	47	20
2	Dried Goods and Ambient Products	224	50
3	Crisps, Confectionery, Soft Drinks and Water	87	30

Main report

- 3.1 Scotland Excel established a User Intelligence Group (UIG), consisting of representatives from participating Councils to agree the procurement strategy, review the technical aspects of the tender and participate in evaluation. There were 2 representatives from the Council on the UIG.
- 3.2 Scotland Excel published a Prior Information Notice (PIN) on 8 May 2015, which resulted in expressions of interest from 23 organisations. Meetings were held with potential bidders including both incumbent and new suppliers. During these meetings ability to service, market trends, community benefits and sustainability were discussed as well as product lists and specifications.
- 3.3 To ensure maximum competition, the UIG agreed that an open tender process should be followed to establish the framework.
- 3.4 This framework was advertised on the Official Journal of the European Union (OJEU) and the Public Contracts Scotland (PCS) portal on 22 September 2015.
- 3.5 The procurement process followed an open tendering procedure. At the first stage, tender responses were assessed against financial capability, technical/professional capability and business probity requirements. Bidders were required to pass this stage to be eligible for award. At the second stage of the process the offers were evaluated against the following criteria and weightings:-
- | | |
|---------------------|-----|
| Technical / Quality | 30% |
| Commercial / Price | 70% |
- 3.6 Within the technical section, bidders were required to evidence their knowledge and experience by responding to method statements which covered areas including: servicing the contract, dealing with complaints, added value, community benefits, sustainability and the management of non core spend. Bidders were also assessed in terms of any additional fixed pricing periods offered.
- 3.7 Within the commercial section, bidders were invited to offer, on a lot by lot basis, a net delivered price for each of the core products used by Councils. These core products account for approximately 70% of the overall spend. Bidders also had the ability to offer variant pricing for individual geographical areas, due to the varying distribution requirements of each Council.
- 3.8 A key objective for the framework was to increase the flexibility for Councils requiring locally sourced products. Lot one (dairy and chilled products) contained a secondary price list for bidders to submit bids for locally sourced products (where available). Whilst this list was not commercially evaluated, products offered will still be deemed as “core items” which will result in any core fixed pricing period being applicable to these products also. In doing so, this will both

broaden the choices available for Councils and help with budget and menu planning.

- 3.9 Bidders were also invited to offer discounts per lot for the supply of non-core items, sole supply status across all three lots and delivery to central stores.
- 3.10 There were 6 suppliers appointed to the Scotland Excel framework, 3 of whom can supply the Council, and their respective scores were:

	Lot 1	Lot 2	Lot 3	Average
Brake Bros Ltd	96.75	96.75	96.75	<u>96.75</u>
Supplier 2	92.29	80.59	95.59	89.49
Supplier 3	92.32	78.16	88.62	86.34

- 3.11 Commercial and Procurement Services carried out a benchmarking exercise, taking into account the requirements of the service areas, and concluded that the greatest savings could be achieved through purchasing from Brake Bros Ltd and appointing them as a sole supplier to provide all groceries and provisions throughout the Council. See Financial Impact below for more details.
- 3.12 This contract is used by a wide variety of service areas across the Council including - school meals (Facilities Management), nursery snacks, care homes, learning disability services, day services for older people, home economics in schools, community centres and corporate catering. Facilities Management are the main user of the contract and as such are the Contract Owner.

Measures of success

- 4.1 Scotland Excel will support delivery of the proposed initiatives throughout the lifetime of the framework. A range of community benefits were offered by bidders including:
- Work experience and apprenticeships.
 - Training and development for schools with regard to healthy eating and food origin from “Field to Fork”.
 - Constructed videos from an experienced Educational Development Chef that will be uploaded on a monthly basis to provide school caterers with recipe ideas and useful hints and tips.
 - Provide an opportunity for SMEs within Scotland to access suppliers network and customer base.
 - Educational competitions such as the creation of a Scottish product competition where pupils will be asked to create a product that can be used in schools across Scotland.

- Donating food to national food charities and local food banks.
 - Showing children the benefit of school meals via a “Dragon’s Den” themed competition that helps raise awareness of the service and involves pupils in menu development, price and marketing of the lunch service.
 - Attend career fairs for students to provide advice and guidance on careers in the food and wholesale industry.
 - Sponsorship of local community projects and local/national charities.
- 4.2 Monitoring of community benefits will be part of the Contract Management of the contract which is the responsibility of the Contract Owner.

Financial impact

- 5.1 Despite the inflation in food prices, it is a measure of the success of this procurement exercise that there is potential to save approximately £95,000 per annum (representing approximately 7.6%), although this will require a change in purchasing decisions by Facilities Management for school meals and in care homes. The saving is principally achieved through substitution of some branded products to Brake’s own brand items. Taste tests for some products have been carried out by Facilities Management staff and found to be satisfactory on the whole.
- 5.2 In addition to the above saving, Brake Bros Ltd will provide an annual retrospective rebate of 0.75% (approx £9,000) providing that their annual sales across Councils reaches £1million. Additionally, Brakes provide an annual 1.125% (approx £14,000) rebate for being the sole supplier to the Council.
- 5.3 The supplier has agreed to hold both core and non-core pricing fixed for 12 months.
- 5.4 Any requests for price increases will be considered in accordance with the defined Scotland Excel process and evaluated against a range of appropriate market analysis indices. All suppliers have agreed to price reviews being conducted annually instead of six monthly which will allow the Council to forecast food costs more accurately within a year.
- 5.5 The costs associated with procuring this contract are estimated at up to £10,000.

Risk, policy, compliance and governance impact

- 6.1 The Edible Edinburgh Food Policies have been considered as part of the Council’s procurement strategy. It will be the way in which the contract is used, and control of that use by Council staff through considered product selection, which will help to promote health and to promote health and well-being through:
- provision of locally sourced food where possible,
 - compliance with Food for Life Scotland,

- compliance with Scottish Government nutritional standards, and
- production of healthy & nutritionally balanced school meals

The products offered are also sufficient to meet the complex and diverse dietary requirements of Health & Social Care client and the requirements in the National Guidelines on Eating Well for Older People.

- 6.2 The Scotland Excel procurement strategy includes a robust and comprehensive assessment of all associated risk factors with mitigating actions.
- 6.3 In terms of contract performance management, Scotland Excel will meet with the supplier on a quarterly basis to review a set of key performance indicators. These will include monitoring environmentally sourced products, development of SMEs and recycling quotas. They will also hold annual user group meetings.
- 6.4 Any contractual issues arising at operational level will be addressed and escalated where necessary through the Facilities Management quality management system.

Equalities impact

- 7.1 The procurement process excludes any bidders where a complaint had been upheld after investigation by the Equality and Human Rights commission or its predecessors and a failure to take remedial action.
- 7.2 The equalities assessment has identified no impact on the Councils specific public sector equality duties.
- 7.3 The award of this Contract to a single supplier will result in savings. This in turn could contribute towards improvements in other areas of FM catering. It will also enhance health and sustainability by offering locally sourced produce which has facilitated Accreditation to the Food for Life Catering Mark via the Soil Association.

Sustainability impact

- 8.1 This framework included scored elements related to sustainability. The origin of products was captured through the tender process and will be tracked during the life of the framework by the supplier through quarterly management information returns.
- 8.2 Tenderers were invited to submit solutions to assist Councils in reducing their food waste which was embraced by many of the suppliers. Solutions offered include using demand planning systems and forecast accuracy models with Councils, attending menu planning sessions to advise best practice for achieving minimum waste, tasking their supply chains with reducing case sizes and packs

and collecting food waste to be passed to local farmers as animal feed ensuring that food waste is kept to a minimum.

- 8.3 Brake Bros Ltd is the Council's supplier of frozen foods. The Service Areas who purchase groceries can see benefits in having one supplier for both frozen foods and groceries. This will mean one delivery for both frozen foods and groceries, thereby reducing the Council's carbon footprint as well as providing efficiencies regarding ordering and invoicing with one supplier instead of two.
- 8.4 Further sustainability benefits are likely to be captured through the life of the framework through planned core product reviews to further increase the number of locally sourced products.

Consultation and engagement

- 9.1 Council representatives attended Scotland Excel's User Intelligence Group meetings.
- 9.2 Discussions have taken place between Commercial & Procurement Services, Facilities Management Services and the Care Home nutrition representative and it has been agreed to recommend appointment of Brake Bros Ltd and to use own brand products wherever possible and appropriate to maximise potential savings.

Background reading/external references

[Adoption of Groceries framework 2012](#)

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Links

Coalition pledges	P43 - Invest in healthy living and fitness advice for those most in need. P49 - Continue to increase recycling levels across the city and reducing the proportion of waste going to landfill.
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Council outcomes	CO1 - Our children have the best start in life, are able to make and sustain relationships and are ready to succeed.
Single Outcome Agreement	SO2 – Edinburgh’s children and young people enjoy their childhood and fulfil their potential. SO3 – Invest in healthy living and fitness for those most in need.
Appendices	Appendix 1 - Tendering Process summary.

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	Framework Contract for Supply & Distribution of Groceries and Provisions – let by Scotland Excel
Contract period	1 July 2016 until 30 April 2020
Estimated contract value	£5,200,000 per annum
Governing UK Regulation	Public Contracts (Scotland) Regulations 2012
EC Procedure chosen	Open
Standing Orders observed	<p>2.4 EU Principles been applied</p> <p>2.7 Commercial and Procurement Manager provided resource to undertake tendering</p> <p>3.2 Director has responsibility for all Contracts tendered and let by their Directorate</p> <p>5.1 (b) Tenders evaluated on basis of most economically advantageous criteria</p> <p>8.1 Procurement process conducted electronically via Public Contracts Scotland Tender (PCST)</p>
Tenders returned	7
Tenders fully compliant	6 (3 to serve City of Edinburgh Council)
No. of recommended suppliers	1
Primary criterion	Most Economically Advantageous offer
Secondary criteria (Set by Scotland Excel)	Price 70%
	Quality 30%
	Comprising:
	Q1 – Delivery & Service 12.5%
	Q2 – Sustainability 2%

	Q3 – Operational Requirements	9.5%
	Q4 – -Community Benefits	6%
Evaluation Team	Scotland Excel & Procurement and/or Technical Representatives from participating Councils	
Procurement Costs	<£10,000	