

Finance and Resources Committee

3.00pm, Tuesday, 4 December 2018

Award of Treasury Management Advisory Services Contract for the period 1 January 2019 until 31 December 2022

Item number	8.7
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

This report seeks the approval of the Finance and Resources Committee to award a contract for the provision of Treasury Management Advisory Services to Arlingclose Limited.

The duration of the contract shall be for a period of two years, with the option to extend for up to a further two years, at 12-month intervals.

Over the four-year period, the total estimated value of the contract is £150,000.

Award of Treasury Advisory Services Contract for the period 1 January 2019 until 31 December 2022

1. Recommendations

- 1.1 The Finance and Resources Committee is asked to:
 - 1.1.1 Approve the award of contract to Arlingclose Limited;
 - 1.1.2 Note that the contract is initially for a period of two years, from 1 January 2019 to 31 December 2020, with the option to extend for two further twelve-month periods; and
 - 1.1.3 Note that the contract value is up to £150,000 over a four-year period.

2. Background

- 2.1 The Annual Treasury Strategy, approved by Council in March 2018 set out the following requirements:
 - 2.1.1 The Council's total capital expenditure is forecast to be £1.361bn between 2018/19 and 2022/23;

The Council's underlying need to borrow at 31 March 2023 is forecast to be £1.828bn;

Between 1 April 2018 and 31 March 2023, £258m of the Council's external debt is due to mature; and

The opportunity to mitigate future interest rate risk with alternatives to the PWLB will continue to be sought and the risk locked out, where appropriate.
- 2.2 The City of Edinburgh Council requires Treasury Advisory Services to provide specialist skills, advice and resources to assist the Treasury Section on Treasury matters to meet the Council's current and future service needs, including:
 - 2.2.1 Treasury Management Policy, debt management, investment and technical matters within prescribed regulatory and accounting frameworks; and

Ensuring the Council secures value for money.
- 2.3 The service was previously tendered in 2014 and was awarded to Arlingclose Limited. This contract expires on 31 December 2018 with no opportunity for further extension.

3. Main report

- 3.1 The Council undertook an Open Procedure in accordance with the Public Contracts (Scotland) 2015 Regulations. The contract duration has been set out for a period of two years, with the Council having the option to extend the contract for two further 12-month periods.
- 3.2 As part of the tender, bidders were invited to provide responses to twelve questions, covering areas such as:
- Economic forecasting;
 - Local Authority statutory and regulatory framework;
 - Risk and credit rating;
 - Non Public Works Loan Board (PWLB) funding; and
 - Investment portfolio management.

In addition, tenderers were invited to deliver a presentation.

- 3.3 A cost quality ratio of 20:80 was applied, as this was considered the optimal weighting to reflect the quality of service required for a highly specialised complex service which has significant impact on Council resources.
- 3.4 The tender opportunity was advertised on Public Contracts Scotland website on 10 September 2018 with a closing date of 8 October 2018.
- 3.5 Two compliant bids were received.
- 3.6 Tenders were evaluated for cost and quality by separate panels from Procurement and Council Officers from Corporate Finance and a summary of the Tendering and Tender Evaluation Processes is included in Appendix 1.
- 3.7 Combining the price and quality scores resulted in the following scores for the preferred supplier:

Tenderer	Price Score	Quality Score	Overall Tender
Arlingclose Limited	13.33	65.80	79.13
Tenderer 2	20.00	53.20	73.20

4. Measures of success

- 4.1 The contract award is based on the principle of most economically advantageous tender and success will be measured by:
- 4.1.1 Retained access to high quality advice and market information to support decision making related to treasury management activities;
- 4.1.2 Access to training at regular intervals throughout the year including one days training per annum in Council offices;

- 4.1.3 Support for internal and external reporting and responding to consultations guiding treasury policy;
- 4.1.4 Fixed pricing for the lifetime of the contract;
- 4.1.5 Access to two days ad hoc support per annum for Council business; and
- 4.1.6 A community benefit commitment of 1% annual fee to Resilient Scotland to provide social investment enabling social enterprises, community organisations and charities to contribute the sustainable regeneration of areas and communities affected by long term economic decline.

5. Financial impact

- 5.1 The total contract value, based on the tender is estimated to be £150,000 over the four-year period, with an annual cost of £37,500.
- 5.2 The costs associated with this contract are met within the loan charges budgets held by the General Fund and Housing Revenue Account.
- 5.3 The costs associated with procuring this contract are estimated as less than £10,000.

6. Risk, policy, compliance and governance impact

- 6.1 The contract to be awarded is compliant with procurement regulations and the Council's Contract Standing Orders. The risk of legal challenge to contractual arrangements for the provision of this service is thereby considered to be low.
- 6.2 The Treasury Management Policy Statement and strategy are designed to manage and mitigate the risk to which the Council is exposed.

7. Equalities impact

- 7.1 There are no equality impacts arising from this procurement.

8. Sustainability impact

- 8.1 There are no sustainability impacts arising from this procurement.

9. Consultation and engagement

- 9.1 None.

10. Background reading/external references

10.1 [Annual Treasury Strategy](#), approved by Council March 2018.

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11. Appendices

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

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Contract	Treasury Management Advisory Services	
Contract Period	1 January 2019 to 31 December 2020, with the option to extend for two further twelve-month periods	
Estimated Contract Value (<i>including extensions</i>)	£150,000.00	
Procurement Route Chosen	Open procedure	
Tenders returned	2	
Recommended Contractor	Arlingclose Limited	
Price / Quality Split	Price 20%	Quality 80%
	Criteria	Weighting (%)
Evaluation Criterion and Weightings	Organisational experience / relationship management	7.5%
	Communication	6.0%
	Economic forecasting	6.0%
	Local Authority statutory and regulatory framework	7.5%
	Compliance	6.0%
	Risk	7.5%
	Non Public Works Loan Board funding	8.0%
	Investment portfolio management	6.5%
	Credit rating	6.5%
	Local authority credit risk	11.0%
	Cash fund benchmarking	7.5%
	Community benefits	5.0%
	Presentation	15.0%
Evaluation Team	Council officers	