

Finance and Resources Committee

10am, Thursday, 27 November 2014

Procurement of a New Material Supplier – Edinburgh Building Services

Item number	7.17
Report number	
Executive/routine	
Wards	

Executive summary

This report seeks the approval of the Finance and Resources Committee to award a contract to Travis Perkins Trading Co.Ltd. for the supply and delivery of trade materials and commodities for Edinburgh Building Services .

Links

Coalition pledges	P8
Council outcomes	CO16
Single Outcome Agreement	SO4

Procurement of a New Material Supplier – Edinburgh Building Services

Recommendations

It is recommended that Finance and Resources Committee:

- 1.1 Approves the award of a contract to Travis Perkins Trading Co. Ltd. for the supply and delivery of trade materials and commodities for Edinburgh Building Services.
- 1.2 Notes that this contract will be in place for period of three years, with the option to extend annually for a maximum period of two further years.
- 1.3 Notes the intention to redeploy current staff (three Full Time Equivalent members) to alternative store facilities within the Council's portfolio.

Background

- 2.1 On 11 February 2010, The City of Edinburgh Council agreed a motion to amend the Services for Communities departmental budget proposal to include a 7% saving on costs incurred via the Murrayburn based Edinburgh Building Services (EBS) stores facility.
- 2.2 The implementation of this proposal was not progressed due to the exploration of Alternative Business Models which concluded in 2012. The options regarding the stores facility were then reviewed as part of a number of service enhancement proposals.
- 2.3 The proposal presented within the report has been subject to staff and trade union consultation. An invitation to tender was issued to the market via Public Contract Scotland on 14 August 2014.

Main report

Current Stores Facility

- 3.1 The Murrayburn Store serves approximately 200 operatives, supported by 10 Stores and Purchasing staff. Holding approximately 1700 items in stock at any one time, all EBS repair and maintenance supplies including emergency stock, are managed via this facility.
- 3.2 Appendix Two details historic spend data. Based on this historic spend, the projected material spend for the financial year 2014/15, is anticipated to reach £4 million.

- 3.3 The original business case, agreed by the Council's Corporate Management Team in 2013, anticipated savings £400k per annum.

Current Facility Issues

- 3.4 The current facilities at Murrayburn present a number of challenges.
- 3.5 A recent survey of the premises found that, in order to ensure an acceptable and safe working environment, urgent and significant investment would be required to upgrade the Murrayburn site, including the stores area. The estimated cost for the entire site is £5 million.
- 3.6 The current stores IT system incorporates a scanning system which allows materials used to be allocated to specific jobs automatically. Although working, the current system requires urgent investment to replace scanning handsets and ensure compatibility with Windows 7 (the Council wide Windows version) and compliance with IT security requirements. The cost of the required IT system upgrade is estimated to be in excess of £60k.
- 3.7 At any one time, an estimated 1,700 items with a stock value of £400k is held by EBS stores, with an additional £60k held as operative van stocks. This holding turns over approximately eight times a year. This leaves a financial risk with the Council in terms of shrinkage through damages and obsolete stock.
- 3.8 EBS presently shares the Murrayburn site with Waste Services, Task Force, CEC Print Unit, Iron Mountain and Lothian and Borders Police Taxi Cab Office, all of which will be relocated as part of the larger depot review project. The closure of the stores facility will contribute positively to this relocation.

Benefits of New Service Delivery

- 3.9 The new delivery model will streamline the current supply chain allowing closer, more robust contract management. The Council currently manages approximately 90 providers of materials to the EBS Store. The management of this extended supply chain will now be transferred to Travis Perkins Group, which will actively engage with the local small and medium enterprise (SME) supply chain. The Council will benefit from streamlined contract management and purchase to pay systems, whilst the local supply chain will still benefit from the Council's purchase spend.
- 3.10 The new delivery model will significantly improve the Council's control of stock, transferring the risk of loss and obsolete stock costs to the new provider. The new provider will be able to produce detailed management information on unit price and volumes and by project, trade or operative if required.

Staffing Considerations

- 3.11 On 25 October 2013, Terms of Reference (ToR) were sent to unions, informing them of the intention to go to market to procure a new supplier for EBS materials. These ToRs set out the business reasons and timescales for this project.
- 3.12 Meetings were held with staff and their concerns over Transfer of Undertakings (TUPE) were raised. Following discussions with unions, it was agreed that

TUPE would not form part of this tender and that all staff would be offered alternative options such as Voluntary Early Release Agreement (VERA) and re-deployment within other CEC stores facilities. This process began in March 2014. Since then four staff left under VERA, one resigned and one moved to another post within the Council. The current staff resources in place are set out in Appendix Two.

- 3.13 A group of operatives, team leaders, performance analysts, the IT provider and the Tender Evaluation panel attended presentations from all three bidders. Operatives had the opportunity to ask questions relevant to their particular concerns and fed back their views.

Tender Process

- 3.14 Commercial and Procurement Services conducted the tender and evaluation process in accordance with Council Standing Orders, Public Procurement (Scotland) 2012 Regulations and EU Procurement Directives.
- 3.15 Commercial and Procurement Services, in conjunction with Edinburgh Building Services, undertook a full tender exercise by placing a contract notice on the Public Contracts Scotland Portal and The Journal of the European Union on 14 August 2014. The one stage open procedure invites all interested parties to submit a quality submission and a priced bid.
- 3.16 There were 26 notes of interest in the contract. With all organisations being able to download the full Invitation To Tender (ITT package) which was attached to the notice. Three organisations submitted returns by the closing date of 23 September 2014. The three suppliers which returned bids were fully compliant with the Council's minimum requirements, which include insurance levels, trade qualifications, financial stability and business probity.
- 3.17 The invitation to tender stated that the contract would be awarded on the basis of the most economically advantageous tender, with 40% of the overall score being based on quality and 60% based on price. The quality assessment was determined through rigorous material specification and strict contract management, which included Key Performance Indicators (KPIs).
- 3.18 The KPIs built into the contract allow the Council to monitor performance and quality throughout the duration of the contract, with supplier incentives for performance.
- 3.19 The three tender submissions received were evaluated individually by the six members of the evaluation panel. In accordance with the advertised ratio, the weighted maximum score for quality was 40%.
- 3.20 There were 11 quality evaluation criteria, each having different applied percentages. These were scored between 0 and 10 in accordance with the evaluation criteria scoring definitions included in the tender instructions issued to the bidders.

- 3.21 Ten award criteria areas were assessed from the bidders' written tender submission and the bidders also attended a presentation which sought responses to the remaining award criteria area. This presentation was attended by the evaluation panel, representatives from BT, EBS Performance team, EBS Team Leaders and operatives.
- 3.22 A consensus meeting was held, attended by the members of the evaluation panel and the Procurement Officer from Commercial and Procurement Services. Individual evaluation criteria scores were reviewed and debated and a consensus score reached for each bidder. The appropriate weighting was then applied to each of the individual evaluation criteria to arrive at a final weighted quality score.
- 3.23 A threshold of 60% of the total available score for quality was set to ensure that any bidder failing to provide a satisfactory response to the published evaluation criteria would not be considered further and would not have their pricing bid opened.
- 3.24 On completion of the quality analysis, it was confirmed that all three bids had achieved the minimum threshold. These were evaluated by Commercial and Procurement Services in conjunction with Edinburgh Building Services and Legal Services.
- 3.25 The lowest priced tender received was awarded the maximum score 60 for price. All other bids were then scored on a pro-rata basis against this lowest bid i.e. for each of the other bids the lowest bid price was divided by that bid price and multiplied by the maximum score of 60.
- 3.26 The quality scores were then combined with the scores from the cost analysis to derive an overall award to each bidder out of a maximum of 100%. The results are detailed in the table below.

Bidder	Price Score	Quality Score	Total Score
Travis Perkins Trading Co. Ltd	60.00	31.70	91.70
Bidder 2	42.19	28.20	70.39
Bidder 3	40.86	26.50	67.36

- 3.27 The bidder with the highest overall score, representing the most economically advantageous tender, was Travis Perkins Trading Co. Ltd. It is therefore recommended that the Contract for the supply and delivery of Trade Materials and Commodities be awarded to Travis Perkins plc.
- 3.28 Following the decision regarding a preferred contractor there is a mandatory 10 day standstill period which will be applied following ratification from Committee and prior to award of Contract.

Measures of success

- 4.1 Success will be measured by the reduction in annual cost of materials purchased to repair and maintain Council properties.
- 4.2 The preferred bidder has a total of 19 depots where materials can be picked up. Three of the depots are dedicated to the Council and one has a dedicated counter service. This will reduce significantly the journey time and distance of each operative.
- 4.3 Robust KPIs have been included within this contract which will ensure strong contract management throughout the duration of this contract, providing protection to the Council and ensuring the continuity of service. Contract management training has been arranged for officers to ensure best practice for the Council.
- 4.4 The preferred bidder has also committed to providing the following Community Benefits:
 - 10 one week work experience placements for each year of the Contract.
 - 10 one year apprentices within the Edinburgh area.
 - Council tenants will be eligible for a Travis Perkins discount card, which will assist low incomes families by enabling them to purchase discounted goods from outlets.
 - A Community Legacy Fund, which will see 1% of annual turnover from Travis Perkins contract reinvested in local community initiatives (estimated at £50k per annum).
 - Access provided to the Travis Perkins IT suite at depots for Council tenants.
 - Commitment to work with the Council's approved work initiative provider to provide work placements to the long term unemployed into and then move individuals onto suitable full time employment within the group.

Financial impact

- 5.1. The procurement of a material supplier was expected to reduce current material purchase costs by up to £400k per annum.
- 5.2. £320k per annum was anticipated to be achieved from savings in direct costs (including staff, stock damage and building investment) and fuel reductions. This has been factored into future budgets.
- 5.3. Following analysis of the winning bid submitted by Travis Perkins Trading Co. Ltd the estimated savings achieved by this contract are expected to be approximately £2.2 million over five years or £440k per annum, broken down as follows:
 - a. Staff payroll: reduction of £134.5k p.a.
 - b. Fuel: A minimum of £8k p.a.

- c. Materials: A minimum of £191k p.a.
 - d. Spend rebate of up to 2.5% of the overall annual contract spend.
 - e. Future cost avoidance of £79k for handheld IT upgrades. Travis Perkins has committed to providing 300 hand held devices, free of charge.
- 5.4. The costs associated with procuring this contract are estimated to be between £20,001 and £35,000.

Risk, policy, compliance and governance impact

- 6.1 Not agreeing with the recommendations in this report would mean savings and efficiencies required to balance Council budgets would not be achieved.

Equalities impact

- 7.1 There are no negative equality or human rights impacts arising from this report. The preferred bidder will have a number of depots across the city where operatives will pick up stock. This will increase the speed at which repairs can be carried out, positively impacting tenants.

Sustainability impact

- 8.1 The new operating model will deliver CO2 reductions through reduced operative travel to four primary supply hubs across the city: Leith (North), Sighthill (West) and Peffermill (East) and Loanhead (Mid Lothian).
- 8.2 Operatives will be located within geographical zones, with depot preference for materials in closer proximity to place of work. The new operating model will reduce travel time and make operatives job easier when collecting materials from suppliers.
- 8.3 The proposals in this report will help achieve a sustainable Edinburgh because Travis Perkins Trading Co. Ltd will be required to:
- Evidence the return to work of one long term unemployed or long term sick member of the community as a direct result of this contract.
 - Have depots across the city, reducing the travel required to pick up supplies to carry out repairs to Council homes.
 - Evidence benefits from their sustainability policy. The successful bidder will be required to evidence that all timber based products have been sourced from sustainable sources.
 - Evidence the community benefits achieved as a direct result of this contract.
- 8.4 The preferred bidder has also confirmed the commitment to the opening of an additional store in the Sighthill area, providing employment for ten staff. This is in addition to the contractual requirements above.

Consultation and engagement

- 9.1 Consultation took place with unions and staff groups. Following these consultations, TUPE was removed from draft tender documents and re-

deployment and VERA options were explored. Unions confirmed support for the tender of a new material supplier as a budget efficiency.

9.2 EBS operatives and Team Leaders attended presentations by the bidders posed questions on the delivery of each bid.

9.3 The UNITE Shop Steward was a member of the Evaluation team.

Background reading/external references

[City of Edinburgh Council Budget ,The City of Edinburgh Council, 11 February 2010](#)

[Sustainable Procurement Policy](#)

[Sustainable Timber Policy](#)

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Links

Coalition pledges	P8 – Make sure the city’s people are well-housed, including encouraging developers to build residential communities starting with brown field sites.
Council outcomes	CO16 – Well Housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood.
Single Outcome Agreement	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric.
Appendices	Appendix One – Current Staff Structure Appendix Two – Historical Spend Data Appendix Three – Summary of Tendering and Evaluation Processes

Appendix One – Current Staff Structure

Role	Structure	Post holders in place	Comments
Store Keepers (GR3)	6 posts	3 remaining	2 x VERA 1 x resignation
Admin Officers (GR3)	2 posts	0 remaining	2 x VERA (posts currently covered by agency until closure of Stores)
Procurement Officer (GR5)	1 post	0 remaining	Left to take up new post in CEC.

Appendix Two – Historical Spend Data

Materials Spend	2010/11 (£k)	2011/12 (£k)	2012/13 (£k)	2013/14 (£k)
Gas Spares	632	729	611	528
Plumbing (Incl. Adaptations)	580	373	432	507
Electrical (Inc. Stair lighting)	300	179	277	330
Wood/Carpentry	305	405	276	306
Roofing	4	21	33	6
Windows	243	368	279	187
General Builders Materials	38	57	107	29
Glass/Double Glazing	52	39	52	38
Paint & Associated materials	19	11	40	22
Other/Misc (including capital spend)	1787	1847	1699	1566
Total	3,960	4,029	3,806	3,519

Appendix Three - Summary of Tendering and Evaluation Processes

Contract	Supply and/or Delivery of Trade Commodities
Contract period (including any extensions)	3 years with the option to extend annually for a further 2 years
Estimated contract value	£5,000,000 (Annual) £15,000,000 (Total less extensions)
Standing Orders observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	www.publiccontractsscotland.co.uk
EU Procedure chosen	Open
Tenders returned	3
Tenders fully compliant	3
Recommended supplier	Travis Perkins Trading Co. Ltd.
Primary criterion	Most economically advantageous tender to have met the qualitative and technical specification of the client department
Evaluation criteria and weightings and reasons for this approach	Delivery of the Contract – 30% Capacity – 15% Management & Security Information / Information Technology Technical Requirements – 15% Presentation – 10% Colloboartion, monitoring, dispute resolution and complaints procedure – 15% Key Performance Indicators & Targets – 10% Quality Assurance – 2.5% Business Continuity – 2.5% Invoicing & Supply Chain Payments – 2.5%

	<p>Continous Improvement – 2.5%</p> <p>Communications Benefits – 2.5%</p>
Evaluation Team	<p>Operations Manager – EBS Housing</p> <p>Operations Manager – EBS Housing</p> <p>PPP, Customer Services and IT Team Leader - EBS</p> <p>Unite Trade Union Representative</p> <p>Purchasing, Stores, Plant and Transport Team Leader, EBS</p>