

SURREY COUNTY COUNCIL**CABINET****DATE: 29 JULY 2015****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****MRS LINDA KEMENY, CABINET MEMBER FOR SCHOOLS, SKILLS AND EDUCATIONAL ACHIEVEMENT****LEAD OFFICER: BEVERLEY BAKER, HEAD OF COMMERCIAL SERVICES****SUBJECT: AWARD OF FRAMEWORK AGREEMENT FOR THE SUPPLY AND DISTRIBUTION OF FROZEN AND GROCERY PRODUCE AND VIENNOISERIE AND PIZZA PRODUCTS****SUMMARY OF ISSUE:**

This report seeks approval to award a framework agreement in three lots for the supply and distribution of Frozen and Grocery Produce and Viennoiserie and Pizza Products for use within Schools and Civic catering facilities for the benefit of the Council to commence on 1 October 2015 as detailed in the recommendations as the current arrangements expire on 30 September 2015.

The report provides details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrates why the recommended framework agreement and call-off contract awards deliver best value for money.

Due to the commercial sensitivity involved in the framework agreement and call-off contract awards process the financial details of the potential suppliers have been circulated as a Part 2 report, item 17.

RECOMMENDATIONS:

It is recommended that:

1. A framework agreement with a start date of 1 October 2015 is awarded for three years to each supplier in the following lots:
 - Lot 1 - Frozen and Grocery Produce – BFS Group Ltd trading as Bidfest 3663
 - Lot 2 - Viennoiserie Products – Delice de France Ltd and BFS Group Ltd trading as Bidfest 3663
 - Lot 3 - Pizza Supplies – South Coast Restaurants Ltd trading as Express Foodservice and BFS Group Ltd trading as Bidfest 3663.
2. In year three of the framework agreement a decision will be made to either extend the agreement in accordance with the single 12 month extension available or terminate it.

-
3. Immediate call-off contracts for each lot under the framework agreement are placed with each of the suppliers named at section 1 above up to the annual sum set out in the part 2 report.

REASON FOR RECOMMENDATIONS:

A full tender process, in compliance with the requirements of Public Contracts Regulations 2006 and the Council's Procurement Standing Orders has been completed, and the recommendations provide best value for money for the Council.

These suppliers will provide a good mix between local enterprises for nominated lines and national providers, all of which have demonstrated the ability to deliver the required produce and products through a competitive procurement and thorough evaluation process.

The framework agreement as awarded sets out the general terms and conditions under which specific purchases known as call-off contracts can be made on behalf of the Council during the term of the framework agreement.

DETAILS:

Business Case

1. The framework agreement in three lots gives the Council access to a reliable service for the supply and distribution of an identified range of suitable fresh and frozen groceries e.g. frozen fruit and vegetables, prepared vegetables, tinned goods, dairy produce, flour and bakery items for Schools and Civic catering establishments that represent value for money. The current arrangements expire on 30 September 2015.
2. The agreement supports the Council's Commercial Services contractual obligations to provide school and civic meals across Surrey. It helps the schools to comply with their legal duty, including The Children's and Families Act 2014, to offer all state-funded schools, including academies and free schools, a free school lunch to all pupils in reception, year 1 and year 2. It was forecast that in order to meet the Council's obligations under the Act an extra 15% of prepared products would need to be purchased over and above the current volumes.
3. In order to provide expert knowledge within the highly specialised food market, the Council engaged the services of Pelican Procurement Services Limited (Pelican) to provide a food and supplies purchasing procurement service and ongoing contract management services throughout the life of the framework agreement. Commercial Services advise that Pelican provide significant added value through direct supply chain management for the school catering food supply. They take the planned menu and work with each supplier to manage the volumes and delivery schedules ensuring allergen and produce specifications are accurate. Pelican also manage the payment system offering online ordering through this, and provide market intelligence. Pelican were awarded the contract to provide this service following a tender process in 2012.

4. Once awarded the framework agreement allows other named bodies including borough and district councils within Surrey and Surrey Choices Ltd to utilise the agreement to meet their own individual requirements.

Procurement Strategy and Options

5. A full tender process, compliant with the Public Contracts Regulations 2006 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement systems which included advertising the contract opportunity in the Official Journal of the European Union (OJEU) on 3 February 2015.
6. Several procurement options were considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity. These included the following options:
 - a) continue the service with the incumbent contractor;
 - b) utilise an external organisation's framework agreement;
 - c) undertake a full EU compliant tender exercise and establish a framework agreement by lot.
7. After a full and detailed options analysis, the tender process described in paragraph 6(c) was chosen. A framework agreement is required as there are named bodies other than the Council who wish to place call-off contracts under the framework agreement for their requirements with suppliers. Option 6(c) was selected as the option as described in 6(a) did not present an opportunity to obtain best value for the Council with the increased product volumes required and would not be in line with EU regulations. Option 6(b) was rejected as the external frameworks for the supply of produce do not satisfy the absolute need for the products to be delivered within the specific timeframe required.
8. All suppliers who expressed an interest were invited to tender for the framework agreement.
9. It was considered important to award contracts for the framework agreement to several suppliers and therefore the requirement was divided into three lots.
10. For Lot 1 it is vital to engage a single supplier as all products that are required for the primary schools' set three week menu cycle need to have continuity with regard to nutritional and allergen data. This enables close management of product specifications and the ongoing control of allergen data. BFS Group Ltd are a major national supplier in the school meals market and work closely with national professional bodies and regulators so fully understand this specific sector which carries a large legislative burden in satisfying the complex requirements for food supply to schools.
11. For Lots 2 and 3 for Secondary Schools and Civic catering the appointment of dual suppliers provides a mixed source of supply with maximum choice allowing buyers to purchase products for bespoke requirements at each site. If there is a service failure for whatever reason this will ensure all catering facilities have a continuity of supply as far as possible.

12. The menus for all lots feature lines nominated by the Council which ensure that a range of products have been sourced from local suppliers with exceptional standards in line with the 'Food for Life' (FFL) catering benchmark achieved by Commercial Services across Surrey primary schools e.g. free range eggs supplied by a farm in Surrey. The Soil Association's Gold FFL accreditation is the highest externally accredited standard for school food. Pelican assists Commercial Services to identify and source products for nominated lines from local suppliers with exceptional field to fork credentials. These products are supplied by local producers to the food supply contractors for Surrey Schools and Civic catering facilities.
13. All suppliers have given commitments to develop local supply chains within Surrey through nominated lines. For instance, BFS Group Ltd have stated they are willing to introduce further nominated lines (over and above any already in place) from new local suppliers for the contracts. Similarly, Delice de France Ltd and South Coast Restaurants Ltd have agreed to work closely with the Council to introduce local nominated lines.

Key Implications

14. By awarding a framework agreement to the suppliers as recommended for the supply of prepared products to Schools and Civic catering facilities to commence on 1 October 2015, schools will be meeting their obligations under the Children's and Families Act 2014, and the Council will be ensuring best value for money for this service to schools.
15. The Council, as part of the tender documentation, released detailed information and specifications for each lot emphasising the importance of food quality and the ability to identify products and their source.
16. Appropriate contract management and monitoring of quality and deliveries will take place throughout the duration of the framework agreement and be reviewed at regular contract meetings. The management responsibility for the framework agreement and call-off contracts lie with Pelican and Commercial Services who will maintain a process to ensure food quality and deliveries are monitored by way of service level agreements.
17. The schedule of prices tendered for products will be fixed for the first six months of the framework agreement and thereafter reviewed twice annually as well as benchmarked annually with other counties. Any price changes are to be agreed with Commercial Services and assessed against current market conditions.

Competitive Tendering Process

18. All suppliers expressing an interest in the advertised tender opportunity were invited to tender for the framework agreement and were given 42 days to complete and submit their tender. Tender responses were received from three suppliers for the advertised lots.
19. Tender submissions were initially evaluated against selection criteria including Good Standing, Insurance Requirements, Financial Information, Health and Safety and Equalities, Quality Assurance and Sustainability, Social Value and Business Continuity which all suppliers passed.

20. For the tender, food requirements for 304 schools across the county were identified and assessed as part of the procurement process. There were 599 standard prepared products required which were assessed across a range of criteria including but not limited to quality, delivery times and costs.
21. Tender submissions were scored against the quality and price award criteria and weightings as shown below.

Award Criteria	Weighting
Section A – Pass/Fail Questions e.g. Nut allergens, Receipt of Delivery, Lines of Communication, Online Ordering, Order Forms, Invoice Payment, Data Information, Business Development, Food Hygiene/Safety Audit	Pass Fail
Section B – Nominated Lines	10%
Section C – Account Management	6%
Section D – Efficient Delivery Service	13%
Section E – Contract Mobilisation Plan	8%
Section F – Other Named Buyers Sites	4%
Section G – Food Fraud	4%
Section H – Apprenticeships and Trainees	1%
Section I - Environmental	For Information Only
Section J - Accreditation	For Information Only
Section K – Product Specifications	For Information Only
Section L – Order Capture Procedure	For Information Only
Product Quality Evaluation	17%
Price	37%

CONSULTATION:

22. Key internal stakeholders have been consulted at all stages of the commissioning and procurement process including Procurement, Legal Services, Commercial Services and Finance.

RISK MANAGEMENT AND IMPLICATIONS:

23. Risks were appropriately identified and have been satisfactorily mitigated. These risks and action to mitigate include:
- a) Cost – the price is only fixed for the first six months of the framework agreement. Increases are possible after this period however these will be negotiated with the supplier prior to any increase being granted and are assessed to be in-line with market conditions.
 - b) Stability – the suppliers are not financially stable resulting in the supplier no longer being able to provide the services. Annual checks will be undertaken on the suppliers to monitor spend on the framework agreement and call-off contracts.
 - c) Reputation – the suppliers do not meet delivery times or produce quality schedules and fail to satisfy safeguarding requirements or respond inadequately to emergencies. Ongoing checks and monitoring will be undertaken by Pelican and the Council to maintain standards.

24. The framework agreement includes termination provisions to allow the Council to terminate the agreement with a three month notice period should circumstances change. If terminated the Council will only be liable to pay to the supplier sums due for services provided up to the date of termination.
25. All suppliers successfully completed satisfactory financial checks. The successful contractors will be required to provide either a Parent Company Guarantee or Performance Bond against failure.

Financial and Value for Money Implications

26. Full details of the framework agreement and call-off contracts for the Council, values and financial implications are set out in the Part 2 report.
27. The procurement activity has delivered a solution which is a reduction against current core contract costs for the evaluated basket of goods with savings of 9% overall and it is therefore within budget.

Section 151 Officer Commentary

28. The tender exercise outlined in this report provides Commercial Services with revised, fully evaluated contractual arrangements to manage a significant proportion of their operating costs. The prices obtained are, on average, 9% less than currently incurred and include a mechanism for future price changes to be managed in line with market conditions. As part of 2015/16 budget setting Commercial Services were tasked with increasing net operating income by £500,000. This price reduction will provide greater flexibility to meet this target.

Legal Implications – Monitoring Officer

29. Schools have a duty under the School and Families Act 2014 to provide school meals to children who are registered at a maintained school or pupil referral unit, and are in reception, year 1 and year 2 or the child's parents are in receipt of certain benefits.
30. As set out in this report, the procurement process for the provision of this service was undertaken using an EU compliant procedure and the Council also complied with the Council's Procurement Standing Orders.

Equalities and Diversity

31. There is no requirement for an Equality Impact Assessment (EIA) as there are no implications for any public sector equalities duty due to the nature of the goods being procured. Tender submissions were assessed for adherence to the Council's Equality and Diversity policy with specific questions requiring response on how staff will uphold and promote the aims of the policy in day-to-day work and how the suppliers will ensure staff comply with their policies and monitor this. From mobilisation onwards Pelican and Commercial Services will monitor the suppliers' adherence to the above and take appropriate action to address any concerns with the suppliers. The preferred suppliers will be required to comply with all relevant legislation.

Other Implications:

32. The potential implications for the following Council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	The tender helps to ensure that the Council meets its obligations under The Children and Families Act
Safeguarding responsibilities for vulnerable children and adults	Suppliers will comply with the Council's safeguarding and staffing policies, and will undertake Disclosure and Barring Service checks
Public Health	Quality of food and the ability to identify products and their source has been a key measure within the award criteria
Climate change	No significant implications arising from this report
Carbon emissions	Where possible local suppliers will be used to reduce food miles and transportation miles from depots

WHAT HAPPENS NEXT:

33. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award	29 July 2015
Cabinet call in period	30 July to 6 August 2015
'Alcatel' Standstill Period	7 August to 17 August 2015
Contract Signature	August 2015
Contract Commencement Date	1 October 2015

34. The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed framework and contract awards. This period is referred to as the 'Alcatel' standstill period.

Contact Officer:

Sara Walton, Category Specialist – Procurement and Commissioning, Business Services, Tel: 020 8541 7750

Consulted:

Pelican Procurement Services Limited

Annexes:

None - Part 2 report with financial details.

This page is intentionally left blank