

Executive Director's Report – Place

Date: 29 August 2022

Award of Contract for Supply, Delivery and Installation of Hot Beverage Machinery and Supplies

1. Recommendations

- 1.1 It is recommended that the Executive Director of Place:
 - 1.1.1 Approves the award of a Contract to Myrtle Coffee Services Limited for the Supply, Delivery and Installation of Hot Beverage Machinery and Supplies from 12 September 2022 until 12 October 2026.

Paul Lawrence

Executive Director of Place

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Report

Award of a Contract for Supply, Delivery and installation of Hot Beverage Machinery and Supplies

2. Executive Summary

- 2.1 This report seeks the approval of the Executive Director of Place to award a Contract to Myrtle Coffee Services Limited for the Supply, Delivery and Installation of Hot Beverage Machinery and Supplies to commence on 12 September 2022 for four years and two months. The duration is staggered to ensure the Contract does not conclude during the busy Edinburgh festival period.
- 2.2 This is a direct award under the Scotland Excel (SXL) Framework Agreement 16/18 for the Supply, Delivery and Installation of Hot Beverage Machinery and Supplies. This Framework Agreement allows for the direct award to the highest ranked Supplier, which in this case is also the most cost-effective Supplier.
- 2.3 Based on historical spend and future projections, the estimated Contract value is £160,000 over the lifetime of the Contract.

3. Background

- 3.1 The City of Edinburgh Council (the Council) operates several cultural venues and cafes that offer hot and cold beverages for resale. The sale of these products contribute towards a revenue stream for the Council.
- 3.2 The Council had a Contract with Coffee Conscience for the supply and delivery of coffee, machinery, and associated consumables to supply commercial outlets and cultural venues. This Contract expired 31 May 2022.
- 3.3 There was no pressing need to have a new Contract in place due to the COVID-19 pandemic. However, as staff are gradually returning to the offices and the cultural venues will be busy with events, including the Edinburgh Festival in August, there is now an urgency to have a contracted Supplier in place.
- 3.4 Due to the nature of the Contract, the requirement cannot be met in-house. A single Supplier is required to meet the Council's needs.
- 3.5 This Contract will provide the Council with a mechanism to lease hot beverage machinery as well as associated consumables products.

4. Main report

- 4.1 As part of the SXL strategy development there was consultation with commodity User Intelligence Groups (UIGs) from the Corporate portfolio. This presented an opportunity for SXL to provide a collaborative and focussed approach to provide a Framework for these products.
- 4.2 As part of the strategy development, the UIG endorsed the inclusion of a single Lot containing four Sub-Lots as summarised in Table 1 below:

Table 1: Lotting Structure

Sub Lot Number	Description
1.1	Machine Purchase and Lease
1.2	Machine Rental
1.3	Associated Consumables
1.4	Maintenance and Repair

- 4.3 The Lot structure will provide a mechanism for Councils to procure a range of hot beverage machinery as well as associated consumables. This included, but is not limited to:
- Coffee Machines;
 - Traditional Barista Coffee Machines;
 - Bulk Brew Equipment; and
 - Tea, Coffee and Hot Chocolate and associated products.
- 4.4 Publication of a Prior Information Notice (PIN) on 26 June 2018 resulted in 39 Suppliers expressing an interest. As a result of these expressions of interest, ten meetings were held with potential Suppliers to discuss the scope of the Framework.
- 4.5 As a matter of best practice and to ensure that the Framework aligned with Council requirements, consultation was conducted to understand their service requirements and current purchasing practices.
- 4.6 To ensure maximum competition, an open tender process was used with the procurement process following a two-stage tendering procedure:
- 4.6.1 Stage one (Qualification) was conducted using the European Single Procurement Document (ESPD). Within the ESPD, tenderers were required to answer a set of exclusionary questions along with providing details and/or acknowledgement of insurance, financial standing, quality management, health and safety and environmental management policies and/or procedures.

4.6.2 Stage two (Award) involved the evaluation of bids which passed Stage one against the following criteria and weightings for all Lots:

- Commercial 80%
- Technical 20%

4.6 Tenderers were required to indicate which Sub-Lots they were bidding for, and the Councils which they had an ability to service.

4.7 Tenderers were invited to bid on the following basis:

- Commercial Section - a national net delivered product price and national net installation price for each product listed for each Lot as well as call-out rates for maintenance and repair within the Schedule of Offer;
- Technical Section – scored method statements on fair work practices, customer service, ethically sourced products and sustainability. In addition to these method statements, a scored question was also asked in relation to the commitments tenderers would make in respect of Community Benefits.

Table 2: Scoring Breakdown

Question		Maximum Score Available
Commercial 80%		
Technical 20%	Community Benefits	3
	Fair Work Practices	3
	Customer Services	6
	Ethically Sourced Products	2
	Sustainability	6

4.8 The tender document was accessed by 42 Suppliers, with 20 of these submitting an offer.

4.9 Following a full evaluation of compliant offers, scoring was completed in accordance with the published tender evaluation methodology, and an overall Lot commercial score was calculated for each tenderer. The overall Lot Commercial score was calculated by totalling each Sub-Lot score and dividing this combined score by the number of Sub-lots for which the tenderer offered.

4.10 Based on the evaluation undertaken in line with the criteria and weightings set out above, it was recommended that a Multi Supplier Framework Agreement was awarded to 18 Suppliers.

4.11 The Framework Agreement allows for Contracts to be awarded via a direct award.

5. Next Steps

- 5.1 Subject to approval, the Contract will be awarded, implemented and mobilised. The Catering and Operations Manager shall act as Contract Manager and liaise with the Supplier to create a bespoke catalogue for the contracted items to be purchased via Oracle.
- 5.2 The Contracts and Grants Management Team (CAGM) will engage with the Contract Manager to ensure that effective Contract management is delivered throughout the Contract lifecycle as detailed in the Contract Management and Handover Report. All efficiencies identified in the procurement process should be delivered by the service area through proactive Supplier engagement and monitoring of management information.

6. Financial impact

- 6.1 The estimated Contract value is £160,000.
- 6.2 The projected annual savings was forecasted at 6.3% which equates to an estimated annual saving of £2,520 per annum or £10,500 over the lifetime of the Contract.
- 6.3 Actual costs are largely dependent on the order quantities which will be monitored by the Contract Manager with the sale of these products contributing towards a revenue stream for the Council.
- 6.4 Pricing is fixed for the first six months of the Contract with pricing being reviewed every subsequent 12 months. All requests for a price increase will be evaluated against prevailing market conditions and supporting documentary evidence.
- 6.5 Given the current market volatility, the need to fix pricing for an extended period, will aid the Council in mitigating against significant rises. Findings from the coffee industry point to increased price fluctuations due to the global shortage of Arabica beans. The shortage has mostly been caused by extreme weather conditions such as unusual frosts destroying crops. There has also been a knock-on effect from COVID-19 which has affected shipping worldwide. There currently is no short-term supply chain easing, as growers will have to wait for crops to recover. This has meant a rise in arabica bean prices of up to 80%
- 6.6 The costs associated with procuring this Contract are estimated at up to £10,000.

7. Stakeholder/Community Impact

- 7.1 Following consideration of the Integrated impact Assessment (IIA), it was agreed that there is no impact to the Council's specific public sector equality duties as none have been identified.
- 7.2 Within the Technical section of the tender, SXL included several sustainability related method statements, including:

- Reduction of waste;
- Environmental impact of transportation; and
- Demonstrate that their products came from sustainable, reliable and approved sources.

7.3 Myrtle Coffee Services Limited has a long-standing commitment to the reduction of both plastic and paper cups to landfill by way of:

- Open Loop (large customers engage with a waste collection provider) and Closed Loop (Myrtle provide the collection function on behalf of smaller clients) recycling schemes to encourage the recycling of cups; and
- All cups are fully recyclable with the option for clients to purchase compostable cups.

7.4 The full Fleet of vehicles utilised by Myrtle Coffee Services Limited are Euro 5 compliant reducing harmful emissions and operate fleet management software to provide fuel efficient planning.

7.5 Myrtle Coffee Services Limited committed to becoming a Living Wage employer during the Framework Term.

7.6 The Supplier confirmed their commitment to deliver Community Benefits throughout the duration of the Framework Agreement depending on the level of spend such as sponsorship of local events or donation of IT equipment.

8. Background reading/external references

N/A

9. Appendices

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	CT1096 Supply, Delivery and installation of Hot Beverage Machinery and Supplies	
Contract period (including any extensions)	The Contract will commence on 12 September 2022 until 12 October 2026	
Estimated Contract Value (including extensions)	£160,000	
Procurement Route Chosen	Direct award from the Scotland Excel (SXL) Framework 16/18 Supply, Delivery and installation of Hot Beverage Machinery and Supplies	
Tenders Returned	N/A	
Name of Recommended Supplier(s)	Myrtle Coffee Supplies Limited	
Price / Quality Split	Commercial: 80% Technical: 20%	
Quality Split Breakdown (20%)	Criteria	Weighting
	Community Benefits	3
	Fair Work Practices	3
	Customer Services	6
	Ethically Sourced Products	2
	Sustainability	6
Evaluation Team	Representatives from the UIG evaluated the Technical scores together with members of staff from Scotland Excel.	

10. Approval

10.1

Role	Name	Signature	Date
<i>Service Director</i>	Gareth Barwell		30/8/2022
<i>Executive Director of Place</i>	Paul Lawrence		1/9/22