

**Report of:** Property and Contract Chief Officer

**Report to:** Director of Resources and Housing

**Date:** 23/05/2017

**Subject: Proposal to award a new contract for the provision of catering and laundry equipment.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4.3	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**Appendix 1, 2, 3, 4, 5, 6, 7.1, 7.2, 7.3 & 7.4 of this report are exempt under the Access to Information Procedure Rules 10.4.3 as this contains commercially sensitive tender information relating to the organisations involved.**

### Summary of main issues

1. On 31 May 2016 the Director of Environment and Housing authorised a request to progress the procurement of a new agreement for the provision of catering and laundry equipment.
2. The proposed contract will establish a framework agreement for the provision of catering and laundry equipment where there will be multiple suppliers appointed to six Lots of the agreement. This will ensure the goods that are to be supplied can be sourced in accordance with the needs of the Council's Internal Service Provider (ISP), Leeds Building Services (LBS), and associated clients.
3. The current contract for the provision of catering and laundry equipment expired on 12<sup>th</sup> December 2016 with no further option to extend. Following a competitive tender process and evaluation of the submissions received, the purpose of this report is to seek approval to award this contract to a number of suppliers across the six Lots.
4. The new contract will commence on 20<sup>th</sup> June 2017.
5. Lot 7 (Parts) of the proposed framework received insufficient bids, so this report is also seeking approval of a short term waiver of CPRs to support LBS whilst an alternative delivery model using the managed stores (currently supplied by Wolsey).
6. The decision to award the contract is a Significant Operational Decision.

## **Recommendations**

The Director of Resources and Housing is recommended to note the contents of this report and:

- Approve the appointment of multiple suppliers to the Catering and Laundry framework agreement. This is across Lots 1 – 6, with a commencement date of 20<sup>th</sup> June 2017.

For Lot 7:

- Authorise a waiver of CPR 8 for a short term (3 month) contract to be put in place with the existing parts suppliers. This will allow LBS to arrange a smooth transition to utilising an alternative solution (below). These short term agreements will not exceed £15,000.
- Authorise officers within Property and Contracts to utilise the managed stores service to meet this need in the future. They will work with Wolsey Integrated Services (contract 9W2H-V5FUJI – Housing Leeds Managed Stores) to ensure that Leeds Building Services can continue to provide its services.

## **1 Purpose of this report**

### Framework Award

- 1.1 The purpose of this report is to seek approval to award a new framework agreement for the provision of catering and laundry equipment.
- 1.2 The agreement is proposed to commence on 20<sup>th</sup> June 2017 with a proposed contract period of 2 years with a further 2 x 12 month extensions available.
- 1.3 The contract value is approximately £225,000 per annum (up to £900,000 if extension options exercised).
- 1.4 Following the evaluation of the submitted bids, using a price/quality ratio of 50/50 and the tender evaluation criteria set out in the tender documentation, this report seeks to authorise appointing the suppliers set out in section 3.8 of this report to the framework agreement.

### Lot 7 (Parts)

- 1.5 Parts provision (Lot 7), will not be provided through this framework agreement. It is proposed that a short term contract is put in place with the incumbent suppliers to allow Property and Contract officers to mobilise an alternative delivery model (see 1.6). These short term agreements would be for a period of 3 months, commencing \*\* May 2017 and expiring \*\* August 2017.
- 1.6 To authorise officers within Property and Contracts to utilise the managed stores service to meet this need in the future. They will work with Wolsey Integrated Services (contract 9W2H-V5FUJI – Housing Leeds Managed Stores) to ensure that Leeds Building Services can continue to provide its services.

## **2 Background information**

- 2.1 This contract will replace the expired framework agreement. It will allow Leeds Building Services to continue delivering services to Council departments as an Internal Service Provider, specifically with regards to catering and laundry equipment.
- 2.2 This will also ensure Council departments are able to approach Leeds Building Services in line with Contract Procedure Rule 3.1.4, and will support the internal service provider to meet the varied needs of its client groups, contributing to best value being achieved for the authority.
- 2.3 The procurement route was approved in May 2016, which was an open procedure adhering to the Public Contract Regulations 2015 (Regulations), as well as the councils' Contract Procedure Rules. The model which was approved was a framework agreement with multiple lots, and multiple contractors within each lot.

## **3 Main issues**

- 3.1 The tender documentation was issued through the councils' tender portal in YORtender on 9<sup>th</sup> November 2016 with a closing date of 14<sup>th</sup> December 2016.

3.2 The framework was put together to deliver a range of commercial and domestic appliances as well as parts and components. The framework was advertised with the following lots:

Lot 1 – Commercial Gas Catering Equipment

Lot 2 – Commercial Electric and Refrigeration Catering Equipment

Lot 3 – Domestic Gas Catering Equipment

Lot 4 – Domestic Electric Refrigeration Catering Equipment

Lot 5 – Commercial Laundry Equipment

Lot 6 – Domestic Laundry Equipment

Lot 7 – Parts

3.3 Twelve tenders were subsequently received. Five of these were non-compliant and therefore disqualified. Additionally there was one bid for Lot 2 which was non-compliant. The evaluation panel consisted of representatives from Leeds Building Services (one Business Manager and two Operational Officers)

3.4 Tenderers were required to complete and provide all information in accordance with the instructions to tender. The evaluation panel reviewed each tender submission and objectively assessed the extent to which each tenderer met each of the specified evaluation criteria. The panel agreed scores for each criteria to ensure the evaluation criteria were consistently applied, with the final score for each bidder being a consensus score.

3.5 An evaluation of the tenderers' responses to the quality criteria were completed by the project tender evaluation panel and quality scores awarded to each tenderer.

3.6 The tenders were scored on a 50% cost and a 50% quality. Details of the process and the scoring mechanism were issued to the tenderers as part of the tender documentation. A minimum threshold for the overall quality scores was set at 40%. Any bids which failed to meet this threshold would have been excluded from the tender exercise.

3.7 The tender price evaluation was undertaken independently by a Quantity Surveyor in the Commercial Team within Property & Contracts.

3.8 The published quality evaluation criteria included 500 points (50%) for price, and 500 points (50%) for quality. The procurement set out to appoint the top 6 bids for Lots 1-6. Based on the scores, it is recommended to award the contract to the following organisations:

**Lot 1 – Commercial Gas Catering Equipment**

<b>Tenderer</b>
Stearn Electric Co. Ltd
Airedale Catering Equipment Ltd

## Lot 2 – Commercial Electric and Refrigeration Catering Equipment

<b>Tenderer</b>
Stearn Electric Co. Ltd
Airedale Catering Equipment Ltd

## Lot 3 – Domestic Gas Catering Equipment

<b>Tenderer</b>
Stearn Electric Co. Ltd
John Gillman & Sons (Electrical) Ltd T/A Domestic Appliance Distributors (D.A.D)
Stearn Electric Co Ltd T/A EMS

## Lot 4 – Domestic Electric Refrigeration Catering Equipment

<b>Tenderer</b>
John Gillman & Sons (Electrical) Ltd T/A Domestic Appliance Distributors (D.A.D)
Stearn Electric Co. Ltd
Stearn Electric Co Ltd T/A EMS

## Lot 5 – Commercial Laundry Equipment

<b>Tenderer</b>
Stearn Electric Co. Ltd
Stearn Electric Co Ltd T/A EMS
John Gillman & Sons (Electrical) Ltd T/A Domestic Appliance Distributors (D.A.D)
Electrolux Professional Limited
G. Bradbury Ltd
Airedale Catering Equipment Ltd

## Lot 6 – Domestic Laundry Equipment

<b>Tenderer</b>
Stearn Electric Co. Ltd
John Gillman & Sons (Electrical) Ltd T/A Domestic Appliance Distributors (D.A.D)

Airedale Equipment Ltd	Catering
Stearn Electric Co Ltd T/A EMS	
G. Bradbury Ltd	

3.9 Details of the results of the tender evaluation process for all submissions for price and quality are set out in the confidential appendices attached to this report.

Appendix 1 – Confidential Tender Analysis – Lot 1

Appendix 2 – Confidential Tender Analysis – Lot 2

Appendix 3 – Confidential Tender Analysis – Lot 3

Appendix 4 – Confidential Tender Analysis – Lot 4

Appendix 5 – Confidential Tender Analysis – Lot 5

Appendix 6 – Confidential Tender Analysis – Lot 6

Appendix 7.1 – Confidential Tender Analysis – Lot 7.1

Appendix 7.2 – Confidential Tender Analysis – Lot 7.2

Appendix 7.3 – Confidential Tender Analysis – Lot 7.3

Appendix 7.4 – Confidential Tender Analysis – Lot 7.4

### **Lot 7 - Parts**

3.10 There were insufficient tenders received for Lot 7, Parts, meaning that Leeds Building Services would not be able adequately provide their services through using this framework agreement.

3.11 As a result an options appraisal was carried out, including officers from Property and Contracts, Leeds Building Services and PPPU, the options explored were:

- Do nothing – not advised as this would lead to an unacceptable level of non-contract spend.
- Retender this Lot – likely to produce the same result, due to the nature of the parts requirements for LBS. These change frequently leading to difficulties in specifying quantities and definitive requirements. As advertising a ‘basket of requirements’
- **Utilise the existing contract for a managed store, who are able to supply these parts. Officers would work with Wolsey Integrated Services (contract 9W2H-V5FUJI – Housing Leeds Managed Stores) to ensure that Leeds Building Services can continue to provide its services. (Recommended)**

3.12 By using Wolsey to deliver catering and laundry parts there are benefits in terms of information available about which parts are bought/values as well as utilising Wolsey’s information management systems which are able to provide trends analysis. Wolsey would be able to work with the Council, looking at past usage to determine whether or not to bring particular products into stock.

- 3.13 There is a cost associated with using Wolsey, which is realised by the on-cost put on products supplied. This cost is offset by savings in processing payments (invoicing), the rebate which is received by the Council, and more efficient ways of working, i.e. time saved by having parts delivered direct to site etc.
- 3.14 Wolsey can purchase from a wide range of suppliers/ manufacturers, utilising their supply chain, and are able to also purchase from whoever Leeds Building Services (LBS) are currently using. If there were specific parts LBS had concerns over price, this can be raised with them, which will be particularly useful for high volume parts.
- 3.15 A key issue is to ensure that this new way of working, in utilising the managed stores provision, can effectively deliver from the outset. With this goal in mind a waiver of CPR 8 is requested to enable LBS officers to use their current suppliers, to ensure a smooth transition once the new arrangements are finalised.
- 3.16 Leeds Building Services, Property and Contracts as well as PPPU will work together as required to ensure that this new solution meets the needs of the service, with regular reviews proposed in this initial period. This will ensure that any initial issues are resolved and lessons learnt are being implemented.
- 3.17 As a result, this award report is seeking approval to award the contract to suppliers who have tendered for Lots 1- 6. For parts provision (Lot 7) a short term waiver will enable LBS to use their current suppliers before delivery being taken up by Wolsey Integrated Services (through contract: 9W2H-V5FUJI – Housing Leeds Managed Stores).

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.2 Officers within PPPU have been consulted on the tender outcomes and support the proposals set out within this report.

4.3 Leeds Building Services were part of the evaluation panel and they will inform their clients of the new Lots and suppliers appointed to each Lot.

4.3.2 No consultation has taken place with key stakeholders as to whether the contract should be awarded to the winning bidder or not as this is determined by the evaluation of the tender received.

### **4.4 Equality and Diversity / Cohesion and Integration**

4.4.1 The Equality, Diversity, Cohesion and Integration Screening document has been considered and completed. No adverse or otherwise impacts have been identified.

### **4.5 Council policies and the Best Council Plan**

4.5.1 It is paramount that procurement within Leeds City Council is undertaken with a view to ensure openness, transparency and fairness. As such the procurement of the provision of catering and laundry equipment was procured in line with Leeds City Council's Contract Procedure Rules and the Regulations.

4.5.2 The works undertaken by the contract will contribute to the key City Priorities by working towards becoming a more efficient and enterprising Council, and working as a team for Leeds.

#### 4.6 **Resources and value for money**

4.6.1 This procurement exercise has been designed to not only test the market for contractors with the relevant technical knowledge, competency, experience who can provide the relevant type of services to the standards set by Leeds City Council but also to benchmark and market test value for money for the provision of these services. This report proposes that the highest scoring contractors, ranked against the tender criteria, are appointed to the framework agreement.

4.6.2 The project team was consistent throughout the procurement process with representation from Property and Contracts, Environment and Housing and the Projects Programmes and Procurement Unit. Due diligence was undertaken on price to ensure that the contract values are realistic and sustainable. Credit checks were also undertaken by PPPU on each supplier.

#### 4.7 **Legal Implications, Access to Information and Call In**

##### Legal Implications - Lots 1 - 6

4.7.1 The tender has been evaluated in accordance with the evaluation criteria set out in the tender documents and therefore, provided the supplies are still required and affordable, the winning bidders must be appointed to the framework agreement in rank order. Thus, in making the final decision, the Director of Resources and Housing should be satisfied that this framework agreement represents best value for the Council.

##### Legal Implications - Parts (Lot 7)

4.7.2 Awarding new contracts directly to the existing suppliers through this waiver could leave the Council open to a potential claim from other providers, to whom this contract could be of interest, that it has not been wholly transparent. In terms of transparency it should be noted that case law suggests that the Council should always consider whether contracts of this value could be of interest to contractors on other EU member states and, if it could, the opportunity should be subject to a degree of European wide advertising. It is up to the Council to decide what degree of advertising would be appropriate. In particular, consideration should be given to the subject-matter of the contract, its estimated value, the specifics of the sector concerned (size and structure of the market, commercial practices, etc.) and the geographical location of the place of performance.

4.7.3 The Director of Resources and Housing has considered this and, due to the nature of the services being delivered, the relatively low contract value and the requirement to be physically located in Leeds, is of the view that the scope and nature of the services is such that it would not be of interest to providers in other EU member states.

4.7.4 There is a risk of an ombudsman investigation arising from a complaint that the Council has not followed reasonable procedures, resulting in a loss of opportunity. Obviously, the complainant would have to establish maladministration. It is not considered that such an investigation would necessarily result in a finding of maladministration however such investigations are by their nature more subjective than legal proceedings.

4.7.5 Although there is no over-riding legal obstacle to preventing the waiver of CPR 8.1 and 8.2 by putting in place interim contracts, the contents of this report should be noted. In making the final decision, the Director of Resources and Housing



should be satisfied that the course of action chosen represents best value for money.

#### Access to information & Call in

4.7.6 Appendix 1, 2, 3, 4, 5, 6, 7.1, 7.2, 7.3 & 7.4 of this report are exempt under the Access to Information Procedure Rules 10.4.3. The public interest in maintaining the exemption in relation to the confidential appendices outweighs the public interest in disclosing the information and financial details which, if disclosed would adversely affect the business of the Council and the business affairs of the organisations involved.

4.7.7 This decision is a significant operational decision which is not subject to call in.

#### **4.8 Risk Management**

4.8.1 A project risk register was developed as part of the pre-tender phase and will be further developed as part of the contract implementation.

4.8.2 A Contract Management Plan has been prepared in line with CPR 3.1.16 by the Contract Manager.

### **5 Conclusions**

Lot 1-6

5.1 The procurement process undertaken has been in accordance with the councils' Contracts Procedure Rules and the Regulations, with full guidance and support from the PPPU.

5.2 Following the tender evaluation process of all bids received a clear rank order of suppliers has been established taking into consideration both quality and price submissions. Therefore this represents the most economically advantageous tenders for this framework agreement.

5.3 This report outlines the results of this process and recommends the appointment of the winning contractors to the framework agreement based on the tender evaluation price / quality model.

Parts (Lot 7)

5.4 Parts provision was to form part of this framework. However, due to insufficient tenders being received, the framework will not be able to meet the requirements for parts of the Council. This report details the options appraisal which was subsequently carried out and the recommendation to authorise a short term waiver before subsequently LBS utilise the managed store (contract 9W2H-V5FUJI – Housing Leeds Managed Stores).

### **6 Recommendations**

6.1 The Director of Resources and Housing is recommended to note the contents of this report and:

- Approve the appointment of multiple suppliers to the Catering and Laundry framework agreement. This is across Lots 1 – 6, with a commencement date of 20<sup>th</sup> June 2017.

For lot 7:

- Authorise a waiver of CPR 8 for a short term (3 month) contract to be put in place with the existing parts suppliers. This will allow LBS to arrange a smooth transition to utilising an alternative solution (below).
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6.2 To note that the officer responsible for implementation is Neil Paget.

## **7 Background documents<sup>1</sup>**

- 7.1 Appendix 1 – Confidential Tender Analysis – Lot 1
- 7.2 Appendix 2 – Confidential Tender Analysis – Lot 2
- 7.3 Appendix 3 – Confidential Tender Analysis – Lot 3
- 7.4 Appendix 4 – Confidential Tender Analysis – Lot 4
- 7.5 Appendix 5 – Confidential Tender Analysis – Lot 5
- 7.6 Appendix 6 – Confidential Tender Analysis – Lot 6
- 7.7 Appendix 7.1 – Confidential Tender Analysis – Lot 7.1
- 7.8 Appendix 7.2 – Confidential Tender Analysis – Lot 7.2
- 7.9 Appendix 7.3 – Confidential Tender Analysis – Lot 7.3
- 7.10 Appendix 7.4 – Confidential Tender Analysis – Lot 7.4

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.