

## **Scotland Excel**

**To: Executive Sub Committee**

**On: 08 December 2017**

**Report  
by  
Director Scotland Excel**

**Tender: Supply & Distribution of Milk**

**Schedule: 19/17**

**Period: 1 March 2018 until 28 February 2021 (with the option to extend for an additional 1 year period until 28 February 2022)**

### **1. Introduction and Background**

The current framework for the Supply & Distribution of Pasteurised Milk and Associated Products will expire on the 28 February 2018. This recommendation is for the award of a renewal framework which will operate from 01 March 2018 to 28 February 2021, with the option to extend for an additional one year period until 28 February 2022.

This framework will provide local authorities and other participating bodies with a mechanism to procure a range of dairy products, including whole milk, semi-skimmed milk, skimmed milk, flavoured milk, organic milk, and fresh cream. It will support the duties established by the Schools (Health, Promotion and Nutrition) (Scotland) Act 2007, and the standards set out by the Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2008.

This report summarises the outcome of the procurement process for this national framework arrangement.

### **2. Scope, Participation and Spend**

As detailed in Appendix 1, 31 local authorities and Tayside Contracts indicated their intention to participate in this contract. Orkney Islands Council stated that they have existing arrangements in place and declined to participate.

Based on the forecasted spend levels provided by local authorities, the framework is worth approximately £7.5 million per annum. This opportunity was advertised at a value of £36 million over the four-year period (£9 million per annum) to allow for non-participating local authorities to migrate over and to account for;

- The volatility of the marketplace, especially in the wake of Brexit. It is still unclear what impact any potential free trade deals will have on the dairy and wider food industry, as well as the future of the £3 billion which UK farmers receive from the EU's Common Agricultural Policy (CAP).
- A third-generation framework where sustainability is a significantly weighted factor.

### 3. Procurement Process

A Prior Information Notice (PIN) was published on 27 May 2017 with 15 companies expressing an interest. Market engagement led to 4 supplier meetings, which helped to inform the commodity strategy in areas such as wider market trends, product development, servicing outlying regions, and delivering efficiencies.

The User Intelligence Group (UIG), consisting of procurement and technical representatives from the participating councils, endorsed the procurement strategy at regional events in June 2017. A working group of technical representatives from the councils was formed to review the specifications and the technical criteria to adopt during the tender process. This group also played an integral role in evaluating technical responses from bidders.

To ensure maximum competition, the UIG agreed that an open tender process should be used and this was advertised on the Official Journal of the European Union and the Public Contracts Scotland portal on 11 September 2017. The tender process was conducted using the Public Contracts Scotland Tender system (PCS-T).

The procurement process followed a two-stage tendering procedure. 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 on insurance, financial standing, quality management, health & safety and environmental management policies and/or procedures.

At the second stage of the process offers were evaluated against the following criteria and weightings:

- Technical                    30%
- Commercial                70%

Tenderers were required to indicate which local authority areas, referred to as "Geographical Lot(s)", for which they wanted to bid. Most Geographical Lots (43 in total) represent an authority area in its entirety, however Argyll & Bute Council (10 lots) and North Ayrshire Council (2 lots) were sub-divided further to make the contract more accessible to local SMEs based in these areas.

Tenderers were invited to bid on the following basis:

- A net delivered unit price for the 24 core products listed within the Schedule of Offer, and;
- A discount or additional on-cost on tendered prices, as they deemed appropriate, for individual Geographical Lots, based on the transactional and/or distribution efficiencies of local authorities.

Within the technical section, tenderers were required to evidence their knowledge and experience in areas such as supply chain sustainability, transparency, and efficiency, as well as how they intend to service the contract and deliver community benefits through the framework.

#### **4. Report on Offers Received**

The tender document was downloaded by 12 organisations, with 7 tender responses received.

A summary of all offers received is provided in Appendix 2.

Achieving full geographic coverage for this commodity has historically proved challenging, however through engagement with the marketplace and local authorities contract coverage has improved, with bids being received for areas which previously received no offers, including Shetland Islands Council, and most of the Geographical Lots listed in Argyll & Bute Council.

Despite extensive engagement, no offers were received for Comhairle nan Eilean Siar, Highland Council, Orkney Islands Council and the following Geographical Lots;

Argyll & Bute Council	<ul style="list-style-type: none"> <li>- Area E, Tiree &amp; Coll</li> <li>- Area H, Colonsay</li> <li>- Area I, Bute</li> </ul>
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North Ayrshire Council	<ul style="list-style-type: none"> <li>- Area B, Isle of Arran</li> </ul>
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Scotland Excel will continue to liaise with local authorities who have not received coverage following award of this contract to ensure that they have support in terms of conducting separate exercises to meet their contractual needs, where appropriate.

Based on the criteria and scoring methodology set out in the tender document, a full evaluation of the offers received was conducted.

Following evaluation of commercial offers, both technical and commercial scores were combined to provide the overall scores achieved by each tenderer for each Geographical Lot for which they submitted a bid. The combined scores can be found in Appendix 3 of this report.

## 5. Recommendations

Based on the evaluation undertaken, and in line with the criteria and weightings set out above, it is recommended that a multi supplier framework agreement is awarded to 7 suppliers across the 36 Geographical Lots which received an offer as outlined in Appendix 3.

All recommended suppliers have completed self-audits which have been evaluated by Scotland Excel's appointed Environmental Health team. In addition to this, processing sites have also been audited to ensure compliance.

The 7 recommended suppliers provide the choice, scope and range of milk products required by local authorities, as well as representing best value. It should also be noted that 5 of the recommended suppliers are classified as SMEs.

## 6. Benefits

### Savings

Scotland Excel conducted a benchmarking exercise for each local authority based on the available management information, the results of which are detailed in Appendix 1.

Following the evaluation of tenders, clarifications were conducted with each tenderer, with a view to securing greater geographical coverage and best value. These discussions did not alter the outcome of the scoring outlined in Appendix 3, or the evaluation process, concluding in a forecast cost increase of 1.3% across the framework. This ranged from a saving of 7.8% to an on-cost of 14.7%. Favourable pricing was offered to authorities with more efficient distribution models and delivery schedules, which helps to explain these variations.

The benefits associated with the clarification process have satisfied Scotland Excel's aim of ensuring best value for all participating local authorities.

### Price Stability

All suppliers core pricing will be fixed for 12 months from contract commencement, with the exception John McKerrell and D J Campbell & Son who have agreed to hold their pricing for 9 months and 6 months respectively.

Subsequent pricing will then be held for 6 monthly periods, with any price variance request within these windows being considered in accordance with the defined Scotland Excel process. All requests will be evaluated against market indices which monitor farm gate pricing, fuel, and packaging costs.

### Sustainable Procurement Benefits

Tenderers were asked several scored questions in regards to sustainability, where they would have to demonstrate an acute awareness of wider issues within the dairy industry as well as an understanding of local authorities' efforts to recycle and reduce waste as part of wider national strategies.

Following the initiatives set out by the Scottish Government's Dairy Action Plan (2014), and the volatility that the dairy industry has experienced in recent years, tenderers were asked to demonstrate how they promoted an efficient, transparent and resilient supply chain. The information attained from these responses will allow Scotland Excel to have visibility on what suppliers are doing to support sustainable farm gate pricing, and this will be used throughout the duration of the framework for contract management purposes.

Another key area of focus within the tender document was CO2 emissions and Food Miles. Responses noted investment in innovative route planning technology, as well as capital input in milk tankers to increase logistical efficiencies. In addition to this, tenderers also had to outline their recycling policies and how they could assist local authorities with their environmental targets. This included a proposal where local authorities would work in direct partnership with the supplier and packaging manufacturer to implement a carton collection system.

Tenderers also had to provide their procedures for managing the shelf life of products and outline how these could ensure that food waste is minimised. Within this question, they also had to outline what storage solutions they could offer to local authorities which could consolidate delivery schedules thus driving further efficiencies. Responses detailed a collaborative approach with local authorities to reduce delivery days through refrigeration solutions and the amalgamation of accounts, with the potential savings generated from such exercises being passed on to the customer.

### **Community Benefits**

Tenderers were asked to detail community benefit initiatives that they would commit to deliver during the life of the framework in line with the Scottish Government's National Outcomes.

Responses received included:

- National Outcome D – Our young people are successful learners, confident individuals, effective contributors and responsible citizens
  - Dairy farm visits for school pupils to help them attain a better understanding of the dairy industry and how milk is produced.
  - Visiting schools to provide classroom talks.
  - Work experience and apprenticeships.
  - Supporting theme days and recipe competitions which look to promote healthy eating and dietary habits.
- National Outcome F – We live longer, healthier lives;
  - Sponsorship of national campaigns which look to promote healthier eating through educational initiatives.
  - Support and funding for local sporting organisations.
- National Outcome L – We value and enjoy our built and natural environment and protect it and enhance it for future generations

- Promoting community garden projects within schools, to encourage pupils to appreciate their local environment and relationship with food.
- National Outcome M – We take pride in a strong, fair and inclusive national identity
  - Assist local authorities in the promotion of local and Scottish produce.
  - Supporting local businesses through sub-contracting opportunities.
- National Outcome N – We reduce the local and global environmental impact of our consumption and production;
  - Working with local authorities to reduce food miles and their recycling objectives.

Scotland Excel will support the delivery of these commitments throughout the duration of the framework, and a bi-annual report will be produced for publication.

### **Fair Work Practices**

Tenderers were also scored on how they will engage in fair work practices for staff employed in the delivery of this contract.

This included questioning suppliers on how they avoid exploitative employment practices, and improve the wider diversity of their staff. Some suppliers stated that they publish an annual statement which complies with the Modern Slavery Act (2015), with one also stating that they offered free English lessons for staff members whose first language was not English.

In addition, tenderers were asked for details on what training they provided for their staff, as well as how they proactively engage with them to promote empowerment so that they can fulfill their potential. Most suppliers stated that they offered development programmes for their staff, which included training and courses that looked to enhance their skills and advance their careers.

As an unscored question, Scotland Excel asked tenderers if they paid the Scottish Living Wage. Of the recommended 7 suppliers, 3 stated they did pay the Scottish Living Wage but were not accredited.

Scotland Excel will continue to monitor Fair Work Practices, including the Scottish Living Wage through contract management, and will work with all awarded suppliers who do not currently pay the Scottish Living Wage to encourage them to do so.

## **7. Contract Mobilisation and Management**

In accordance with Scotland Excel's established contract and supplier management programme, this framework has been classified as a level 1 arrangement in terms of both risk and spend. As such, Scotland Excel will

conduct quarterly review meetings with suppliers, whilst monitoring management information and community benefits associated with this framework.

Achievement of key performance indicators, to be finalised and agreed at contract award, will be a driver to ensure that the required service is monitored, maintained, and where possible improved upon during the framework period.

## **8. Summary**

This framework for the Supply & Distribution of Milk aims to maximise collaboration, promote added value and deliver best value. A range of benefits can be reported in relation to savings, price stability, sustainability and community benefits.

The Executive Sub Committee is requested to approve the recommendation to award placings on this framework to the suppliers as detailed in Appendix 3.



## Appendix 1 – Participation, Spend and Savings Summary

LOCAL AUTHORITY	PARTICIPATION IN CONTRACT	PARTICIPATION ENTRY DATE	ESTIMATED ANNUAL SPEND	SOURCE OF SPEND DATA	EST. FORECAST SAVINGS (%)	EST. ANNUAL SAVINGS (£)	BASIS OF SAVINGS CALCULATIONS
Aberdeen City Council	YES	01/03/2018	£265,761	Member Provided	7.8%	£20,741	Benchmarked Current Contract
Aberdeenshire Council	YES	01/03/2018	£326,319	Member Provided	-0.3%	-£1,129	Benchmarked Current Contract
Angus Council - Non School Meals	YES	01/03/2018	£29,105	Member Provided	-9.4%	-£2,730	Benchmarked Current Contract
Argyll & Bute Council - Area A, Cowal	YES	01/03/2018	N/A	N/A	0.0%	£0	Benchmarked Current Contract
Argyll & Bute Council - Area B, Oban & Lorne	YES	01/03/2018	N/A	N/A	0.0%	£0	Benchmarked Current Contract
Argyll & Bute Council - Area C, Mid Argyll & Kintyre Peninsula	YES	01/03/2018	N/A	N/A	0.0%	£0	Benchmarked Current Contract
Argyll & Bute Council - Area D, Helensburgh & Lomond	YES	01/03/2018	£35,249	Member Provided	-7.2%	-£2,540	Benchmarked Current Contract
Argyll & Bute Council - Area E, Tiree & Coll	YES, BUT NO OFFERS RECEIVED	01/03/2018	N/A	-	NO OFFER RECEIVED	NO OFFER RECEIVED	NO OFFER RECEIVED
Argyll & Bute Council - Area F, Islay & Jura	YES	01/03/2018	£2,652	Member Provided	0.0%	£0	Benchmarked Current Contract
Argyll & Bute Council - Area G, Mull	YES	01/03/2018	N/A	N/A	0.0%	£0	Benchmarked Current Contract
Argyll & Bute Council - Area H, Colonsay	YES, BUT NO OFFERS RECEIVED	01/03/2018	N/A	-	NO OFFER RECEIVED	NO OFFER RECEIVED	NO OFFER RECEIVED
Argyll & Bute Council - Area I, Bute	YES, BUT NO OFFERS RECEIVED	01/03/2018	N/A	-	NO OFFER RECEIVED	NO OFFER RECEIVED	NO OFFER RECEIVED
Argyll & Bute Council - Area J, Dunoon	YES	01/03/2018	£6,428	N/A	0.0%	£0	Benchmarked Current Contract
City of Edinburgh Council	YES	01/03/2018	£794,933	Member Provided	3.4%	£26,767	Benchmarked Current Contract
Clackmannanshire Council	YES	01/03/2018	£96,733	Member Provided	-2.0%	-£1,928	Benchmarked Current Contract
Comhairle nan Eilean Siar	YES, BUT NO OFFERS RECEIVED	01/03/2018	£50,000	-	NO OFFER RECEIVED	NO OFFER RECEIVED	NO OFFER RECEIVED
Dumfries & Galloway Council	YES	01/03/2018	£183,195	Member Provided	-1.5%	-£2,798	Benchmarked Current Contract
Dumfries City Council	YES	01/03/2018	£37,585	Contract MI - Confirmed by Member	-8.7%	-£3,275	Benchmarked Current Contract
East Ayrshire Council	YES	01/03/2018	£31,282	Member Provided	-1.5%	-£463	Benchmarked Current Contract
East Dumbartonshire Council	YES	01/03/2018	£89,520	Member Provided	-5.6%	-£4,999	Benchmarked Current Contract
East Lothian Council	YES	01/03/2018	£277,582	Contract MI - Confirmed by Member	-5.2%	-£14,459	Benchmarked Current Contract
East Renfrewshire Council	YES	01/03/2018	£128,633	Contract MI - Confirmed by Member	0.3%	£396	Benchmarked Current Contract
Falkirk Council	YES	01/03/2018	£213,232	Contract MI - Confirmed by Member	5.2%	£11,014	Benchmarked Current Contract
Fife Council	YES	01/03/2018	£822,352	Member Provided	0.7%	£5,978	Benchmarked Current Contract
Glasgow City Council	YES	TBC	£735,000	Member Provided	-4.6%	-£33,950	Benchmarked Current Contract
Highland Council	YES, BUT NO OFFERS RECEIVED	01/03/2018	£160,000	-	NO OFFER RECEIVED	NO OFFER RECEIVED	NO OFFER RECEIVED
Inverclyde Council	YES	01/03/2018	£123,675	Contract MI - Confirmed by Member	-1.5%	-£1,857	Benchmarked Current Contract
Midlothian Council	YES	01/03/2018	£227,621	Contract MI - Confirmed by Member	-5.0%	-£11,424	Benchmarked Current Contract
Moray Council	YES	01/03/2018	£60,310	Contract MI - Confirmed by Member	-1.3%	-£794	Benchmarked Current Contract
North Ayrshire Council - Area A, Mainland & Cumbrae	YES	01/03/2018	£295,136	Member Provided	-2.3%	-£6,761	Benchmarked Current Contract
North Ayrshire Council - Area B, Isle of Arran	YES, BUT NO OFFERS RECEIVED	01/03/2018	N/A	-	NO OFFER RECEIVED	NO OFFER RECEIVED	NO OFFER RECEIVED
North Lanarkshire Council	YES	01/03/2018	£640,523	Contract MI - Confirmed by Member	-0.9%	-£6,007	Benchmarked Current Contract
Orkney Islands Council	NO	-	N/A	-	NO OFFER RECEIVED	NO OFFER RECEIVED	NO OFFER RECEIVED
Perth & Kinross Council	YES	01/03/2018	£20,000	Member Provided	-10.1%	-£2,011	Benchmarked Current Contract
Renfrewshire Council	YES	01/03/2018	£329,400	Contract MI - Confirmed by Member	-2.3%	-£7,684	Benchmarked Current Contract
Scottish Borders Council	YES	01/03/2018	£58,623	Member Provided	-6.7%	-£3,928	Benchmarked Current Contract
Shetland Islands Council	YES	01/03/2018	£63,000	Member Provided	0.0%	£0	Benchmarked Current Contract
South Ayrshire Council	YES	01/03/2018	£159,969	Contract MI - Confirmed by Member	-2.6%	-£4,155	Benchmarked Current Contract
South Lanarkshire Council	YES	01/03/2018	£333,659	Member Provided	2.6%	£8,536	Benchmarked Current Contract
Strirling Council	YES	01/03/2018	£61,436	Member Provided	-7.3%	-£4,466	Benchmarked Current Contract
Tayside Contracts	YES	01/03/2018	£157,989	Member Provided	-14.7%	-£23,177	Benchmarked Current Contract
West Dunbartonshire	YES	01/03/2018	£261,500	Member Provided	-1.7%	-£4,422	Benchmarked Current Contract
West Lothian Council	YES	01/03/2018	£396,904	Member Provided	-6.3%	-£24,860	Benchmarked Current Contract
<b>TOTALS</b>			<b>£7,475,306</b>		<b>-1.3%</b>	<b>-£96,383</b>	



## Appendix 2 – Offers Received & SME Status

ORGANISATION NAME	SME STATUS	LOCATION	NUMBER OF LOTS OFFERED
D & D Dairies Ltd	Small	Crieff, Fife, Scotland	4
D J Campbell & Son	Small	Lochgilphead, Argyll & Bute, Scotland	5
John Mckerrell	Micro	Bowmore, Islay, Argyll & Bute, Scotland	1
George Anderson & Sons	Medium	Tranent, East Lothian, Scotland	2
Grahams the Family Dairy Ltd	Large	Bridge of Allan, Stirling, Scotland	13
Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients	Large	Market Drayton, Shropshire, UK	23
Shetland Farm Dairies Ltd	Small	Lerwick, Shetland Islands, Scotland	1

### Appendix 3 - Scoring and Recommendations (Asterisk (\*) denotes recommended supplier)

Council	Supplier	Score	Council	Supplier	Score
Aberdeen City Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	95.65	Aberdeenshire Council	Grahams the Family Dairy Ltd*	93.00
	Grahams the Family Dairy Ltd*	93.00		Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	89.38
Council	Supplier	Score	Council	Supplier	Score
Angus Council - Non School Meals	D & D Dairies Ltd*	85.25	Argyll & Bute Council - Area A, Cowal	D J Campbell & Son*	74.00
Council	Supplier	Score	Council	Supplier	Score
Argyll & Bute Council - Area B, Oban & Lorne	D J Campbell & Son*	74.00	Argyll & Bute Council - Area C, Mid Argyll &	D J Campbell & Son*	74.00
Council	Supplier	Score	Council	Supplier	Score
Argyll & Bute Council - Area D, Helensburgh &	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	99.75	Argyll & Bute Council - Area E, Tiree & Coll	NO OFFER	N/A
Council	Supplier	Score	Council	Supplier	Score
Argyll & Bute Council - Area F, Islay & Jura	John McKerrell*	72.00	Argyll & Bute Council - Area G, Mull	D J Campbell & Son*	74.00
Council	Supplier	Score	Council	Supplier	Score
Argyll & Bute Council - Area H, Colonsay	NO OFFER	N/A	Argyll & Bute Council - Area I, Bute	NO OFFER	N/A
Council	Supplier	Score	Council	Supplier	Score
Argyll & Bute Council - Area J, Dunoon	D J Campbell & Son*	74.00	City of Edinburgh Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients* Grahams the Family Dairy Ltd*	99.75 92.21
Council	Supplier	Score	Council	Supplier	Score
Clackmannanshire Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients* Grahams the Family Dairy Ltd*	94.18 93.00	Comhairle nan Eilean Siar	NO OFFER	N/A
Council	Supplier	Score	Council	Supplier	Score
Dumfries & Galloway Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	99.75	Dundee City Council - Non School Meals	D & D Dairies Ltd*	85.25
Council	Supplier	Score	Council	Supplier	Score
East Ayrshire Council	Grahams the Family Dairy Ltd*	93.00	East Dunbartonshire Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	99.75



Council	Supplier	Score
South Lanarkshire Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	99.75

Council	Supplier	Score
Tayside Contracts	D & D Dairies Ltd*	85.25

Council	Supplier	Score
West Lothian Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	95.00
	Grahams the Family Dairy Ltd*	93.00

Council	Supplier	Score
Stirling Council	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	98.00
	Grahams the Family Dairy Ltd*	93.00

Council	Supplier	Score
West Dunbartonshire Council	Grahams the Family Dairy Ltd*	93.00
	Muller UK & Ireland Group LLP T/A Muller Milk & Ingredients*	91.45