



Report of: Executive Member for Children, Young People & Families

Meeting of:	Date	Ward(s)
Executive	18 May 2017	All

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SUBJECT: Procurement Strategy – School Meal Catering Contract

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Islington's School Meal Catering Service Contract in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The catering service provides catering for school meals to most of Islington's primary schools, special schools and children's centres and to some secondary schools. The Universal Free School Meal project has been a priority for the council since 2010 and continues to be so in the 2015-2019 Corporate Plan.

2. Recommendations

- 2.1 To approve the procurement strategy for a joint procurement with the London Borough of Camden but with separate contracts for each authority as outlined in this report.
- 2.2 To delegate authority to award the contract to the Corporate Director of Children's Services in consultation with the Executive Member for Children, Young People & Families.

2.3

3. Background

3.1 Nature of the service

- As part of the Universal Free School Meal (UFSM) project the contract is offered to schools (including free schools and academies) in Islington and to other Council educational

establishments. The quality of the school meals provided is of key importance in order to maximise the take up by pupils in the schools.

- The initial contract was based on 57 establishments with the Council managing the contract centrally. The contract allows for sites to be taken out of the contract without financial penalty and for other sites that were outside the initial arrangement to be added at a later date. The table below shows the take up of the provision from the start of the contract to date.

Provision	Sept 2010	Feb 2017	Change
Primary Schools (<i>incl co-located Children's Centres</i>)	39	38	-1
Secondary Schools	4	2	-2
Special Schools	3	3	0
Nursery Schools	2	3	1
Pupil Referral Units	4	3	-1
Children's Centres	5	9	4
Academy / Free Schools	-	3	3
Total	57	61	4

- The take up of meals has risen due to a combination of higher percentage take up in schools and an overall rise in pupil numbers. The specification will include provision for volume discounts.
- The Council and Governing Bodies have a legal responsibility to provide meals at schools for pupils who are eligible for free school meals and may make such provision in respect of other pupils in accordance with relevant legislation.
- Accordingly, the council and Governing Bodies must ensure that appropriate arrangements for the provision of school meals are in place from 1 April 2018 when the current contract expires.

3.2 Estimated Value

- The estimated value of the contract to Islington is circa £6.3m per year for a five year contract, with a possible two year extension giving a seven year estimated value of £44.1m There are 49 Camden schools in the current arrangement, which has an annual estimated value of £4.2m. The total procurement value to the London Borough of Islington and the London Borough of Camden over the maximum seven year term of the contract would therefore be approximately £75m.
- Whilst the Department for Education are providing free meals to all non-free school meal (FSM) eligible pupils in Key Stage (KS) 1, the council is still committed to provide free meals to all nursery and KS2 non-FSM eligible pupils. The cost of a free meal, plus the subsidy, is currently funded through a combination of the council's general fund and the Dedicated Schools Grant (DSG). The central DSG budget is self-funding through the pooled charges to schools which also cover the overheads (£158k per annum).
- The majority of the contract costs are staffing costs. The requirement for contractors to pay at least the London Living Wage means the scope for a reduction in current costs is limited.
- Under the current contract; food costs are increased or decreased annually by reference to the Food Costs Index (Overall Consumer Price Index 3), labour costs may be increased annually but the maximum increase is the lower of the overall percentage change in rates of pay for local authority staff and actual increases paid by the contractor in the previous 12 months, and

other operational costs are increased by the actual increase subject to a maximum of Retail Price Index (RPI).

- Should there be no cross border interest London Living wage will be a requirement of the contract and the successful contractor will be required to absorb any cost increases above the contractual labour cost indexation.
- The cost of administering the Islington universal free school meals would be significant if there were not to be a pooled contract for schools as we would need to pay schools on an actual take up and cost basis.
- The quality of the food and the Good Food for London report, which charts the progress made by London's boroughs in making London's food system healthier and more sustainable, are drivers for this contract. Greater London Authority publishes the Good Food for London report annually, and since its inception in 2011, Islington has come at the top of the London boroughs four times (2011, 2012, 2014 and 2016) and shared top place with Merton in 2013 and with Greenwich and Tower Hamlets in 2015. In achieving these rankings the school meal service contributed directly to 5 out of the 11 criteria assessed. This shows how valuable the quality of the food provided through the school meal service is to our status.
- A further driver for the contract is the social value gained through the employment and training of local residents.

3.3 Timetable

The contract expires on the 31 March 2018. The procurement timetable is as follows.

- Preparation for going to market - January – June 2017
- Key Decision for the procurement strategy - 18 May 2017
- Contract Notice - June 2017
- Tender evaluation completed - November 2017
- Contract award report- December 2017
- Contract signing - January 2018
- Transition to new arrangements - January – March 2018
- Contract start date - 1 April 2018

We will consult with all schools and other education establishments about the proposed new contract and will use the current contract monitoring group as a focus group for contract requirements.

3.4 Options appraisal

Children's Services Management Team have considered various options:

Option 1: whether we should be procuring on behalf of schools or let individual schools procure their own contracts. This was discounted due to the level of administration regarding Islington's universal free school meal offer and the monitoring of the quality of food for many different contracts.

Option 2: to bring the service in house. This was discounted due to the TUPE implications and the lack of expertise to manage this service and the risks associated with schools not buying the service.

Option 3: to retender the contract under a Framework. The most appropriate framework is 'ESPO Framework 704 – Catering Services.' This was discounted as the supplier framework charges 0.5% turnover, which could add an additional £200k to the contract price, as the successful tenderer is likely to include this cost in the contract price.

Option 4: to conduct a joint OJEU tender with Camden, which would require more internal resources than using a framework but may offer more flexibility and contract cost savings.

Having considered the options above it is recommended that an OJEU procurement using the restricted procedure is undertaken jointly with Camden Council. The tender process would be managed via the Camden procurement electronic tendering system on behalf of both councils.

3.5 Key Considerations

The school meals service in Islington is seen as an integral aspect of the school experience. The aim of the schools catering service is to encourage children to take a school meal by providing healthy nutritious meals which, for some, may be their only hot meal of the day. The specification for the new contract will seek to deliver a service that:

- Provides high quality, healthy and sustainable food
- Increases school meal uptake
- Supports a whole school approach to healthy eating
- Ensures a motivated and valued workforce
- Ensures good communication
- Safeguards our children

The World Health Organization (WHO) regards childhood obesity as one of the most serious global public health challenges for the 21st century. The school meals catering procurement will require potential providers to ensure that menu development addresses this challenge and that meals are nutritious and healthy and compliant with the required standards.

The food provided must meet the Department for Education's statutory requirements as set out by the Food Schools Trust. A high quality service based on fresh food cooked from scratch using high quality raw ingredients that are unprocessed is required. Wherever possible, seasonal and ethically sourced food and ingredients should be used.

School meals are accredited with the "Food for Life" school awards from the Soil Association which ensures food sourcing is fresh, locally sourced and organic where possible. Islington currently require the gold accreditation in relation to the food quality element of the standard. The bronze, silver and gold standards are assessed on a cumulative points based system. Both silver and gold awards have similar aims but with a lower overall points requirement for silver (150). To achieve the silver award requires schools to take care that food is healthy, ethical, and uses local ingredients and uses a minimum of 5% organic ingredients in the menus. The gold standard requires a higher overall points total (300) and a minimum of 15% organic and 5% free range in the menus. The standard that will be required for this contract is being reviewed. Should the standard required change from the current requirement and there be any savings resulting from this it is expected this would accrue to schools and would assist with the increasing budget challenges they face.

Meals are required to reflect the diverse cultural and dietary needs of pupils attending Islington schools and children's centres. At least one vegetarian dish option must be provided each lunch-time. The contractor must provide halal meals to schools that currently require this and introduce halal meals into other schools that request this service, after consultation by the school with governors and parents. In addition the provision of 'Special Day' menus are encouraged by the council, for example, cultural, religious, meat-free/reduced meat, organic or theme days.

The contract will also include for the supply of school meals for pupils with special educational needs. Catering staff are required to work appropriately with these pupils. Where required, texture modified diets such as soft foods or pureed foods must be provided.

The specification will stipulate the additional benefits that can be offered to pupils in relation to encouraging schools to grow vegetables and provide funding for such initiatives.

The contractor will be obliged to, at all times, properly maintain and operate safe and adequate arrangements and procedures for the performance of the service. The sourcing, transportation, delivery, storage and usage of all food stuffs must strictly comply with regulatory and legislative requirements and the requirements as outlined in the specification.

The catering facilities including kitchen, changing areas etc. are provided by the schools/children's centres and the contractor occupies these areas free of charge, under a licence arrangement where the council owns the location. Fixed equipment such as cookers and large whitegoods are provided and maintained by the schools/children's centres. The contractor provides and maintains all light catering equipment such as small food mixers, pots, pans, crockery and cutlery etc.

Each council will manage their own contract. The Islington council contract will be managed by officers in the Schools Commissioning Service and it is intended that this is funded from the overhead charges included in the pooled charges to schools. The provider's contract manager will be obliged to visit and inspect all the locations where the service is being provided at least once a month and to consult with the authority and headteachers/head of centres as often as may be necessary to ensure the continuous and efficient provision of the service.

Council officers will monitor the standard of performance achieved by the contractor in accordance with a contractual performance monitoring programme to be carried out on both a continuous and on a systematic and random basis. This monitoring regime will include the entitlement for authorised council officers to inspect any premises without prior notice. The council has an established school meal's monitoring group that includes senior managers from Children's Service as well as representatives from the schools. A termly contract monitoring meeting is held with the contractor to discuss all aspects of the service provision. This group will continue to monitor the new contract when in place.

A further key consideration for the procurement will be ensuring that the contractor intends to recruit any additional staff required, where possible, from the local community. The provider will be encouraged to partner with the councils work placement services such as the apprenticeship scheme and iWork service to employ local staff when vacancies arise. The school dinner service has been and we expect it will continue to be an attractive entry point to the work force for local people and in particular for parents returning to work due to the child friendly working hours.

TUPE is applicable to this contract and therefore there is likely to be a staff transfer if the new contract is awarded to a new service provider.

The contract will stipulate that schools, children's centres and council settings could be removed without penalty or added to the contract over time. This may include schools and academies from other boroughs but reflecting the wording issued in the OJEU notice.

3.6 Evaluation

Under option 4, we propose to use a restricted tender.

The restricted tender will be conducted in two stages. This procedure 'restricts' the number of organisations invited to tender. The first stage is Selection Criteria through a Selection Questionnaire (SQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The SQ is backwards looking and explores how the organisation has performed to date, its financial standing and information about their history and experience.

A limited or 'restricted' number of these organisations meeting the SQ requirements as specified in the advertisement are then invited to tender (ITT). The second stage, the ITT, is now forwards-looking using Award Criteria. The ITT evaluation process will also include presentation briefings from the tenderers in support of their bids. Tenders are evaluated on the basis of the tenderers'

price and ability to deliver the contract services as set out in the evaluation criteria in order to determine the most economically advantageous offer.

Tenders will be evaluated on the basis of 50% Quality and 50% Cost. It is important that quality, and in particular food quality and nutrition, is a focus of the service.

Cost 50%

Quality 50% broken down as follows:

- Food quality and nutrition 25%
- Sustainability 5%
- Service quality control and assurance 10%
- Implementation of service delivery 5%
- Proposed staffing including training, level of management and supervisors 5%

Tenders will be evaluated on the basis of the most economically advantageous offer using the above weightings and criteria.

3.7 Business Risks

There is a risk that a significant number of schools could either not join or subsequently pull out of the contract, this will be mitigated by ensuring schools are involved in all stages of the procurement process. The risk of schools becoming academies will not be an issue as academies are able to join the contract. However there is a risk that schools that convert to academies choose not to join the council's catering contract or to withdraw from that contract. Schools/children's centres will be consulted in advance of finalisation of the council's specification.

The risks to the council are minimal, the contract is charged on the basis of the meals served. If the grants were to end the cost of meals to parents would need to be revised in line with the London average cost for a meal.

Should schools convert to academies, they still have a duty to offer meals. The staff employed at the schools by the catering contractor are likely to transfer to the academy or its catering provider pursuant to the TUPE regulations.

The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	The catering service provides catering for school meals to most of Islington's primary and special schools and other educational establishments. See paragraph 2.3
2. Estimated value	The estimated value of the new contract per year is £6.3m to Islington, with the council's contribution from its budget being £2.15m per year. The balance of the funding is through the budgets delegated to schools.

	<p>If either grant ceased parents would pay as in previous years, the cost of the meal may rise as we wouldn't receive volume discounts but parents and schools would have to pay this cost.</p> <p>The total estimated contract value to Islington over the maximum 7 year term of the contract is £44.1m.</p> <p>See paragraph 2.4</p>
3. Timetable	See paragraph 2.5
4. Options appraisal for tender procedure including consideration of collaboration opportunities	<p>The Councils will conduct an OJEU procurement using the restricted procedure</p> <p>See paragraph 2.6</p>
5. Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>Should there be no cross border interest, London living wage will be a requirement of the contract</p> <p>The ability to recruit and train local staff will be a key element of the tender</p> <p>TUPE is applicable to the new contract. see 2.7</p> <p>Efficiency options will be included in the tendering arrangements.</p>
6. Evaluation criteria	See 2.8
7. Any business risks associated with entering the contract	see 2.9
8. Any other relevant financial, legal or other considerations.	<p>The key risk is that the government grant for UFSMs for Key Stage 1 and Reception children ends and the Council's commitment to UFSMs is increased.</p> <p>If universal benefits reduce the numbers of FSM pupils this will have a direct impact on the Council's budget as we fund the non FSM pupils' meals. Although there is a budget of £2.15m for non FSM pupils, this cost is increasing due to increased pupil numbers in general and to the movement between FSM and Non FSM pupils.</p>

4. Implications

4.1 Financial implications:

The cost of the catering contract is met from a combination of school budgets (DSG and infant free school meals grant funding), core Council funding and the Council's public health grant.

Schools in the catering contact pool their catering budgets for all children into a fund that is managed on their behalf by the Council. The costs of the contract are met from this pooled budget with the exception of the cost of universal free school meals (provided for all nursery and primary Key Stage 2 aged children who do not qualify for statutory free school meals) which is paid for by the Council at a rate of £2 per meal. The Council's costs of managing the catering contract and the contractor's management fee are met from the pooled catering budget.

The current total school catering costs for 2016/17 is projected to be £6.3m of which the Council is forecast to pay £2.15m for universal free school meals (including a contribution from public health

grant of £425k). The balance of where costs fall between the pooled catering budget and the Council's universal free school meals budget is shifting as eligibility for statutory government funded free school meals reduces. All costs are on a per meal provided basis, therefore total contact costs are increasing in line with increasing pupils – the school's pooled catering budget automatically moves in line, on an annual basis, with estimated changes to pupil numbers / eligibility. Growth in the universal free school meals budget is managed through the Council's medium term financial planning process.

Under the current contract all costs excluding a small adjustment for pensions are charged on a per meal basis mitigating the impact to the Council and the school's pooled catering budget if schools pull out of the contract. However if a school's catering contract was not in place or not many schools bought into it, the administrative costs to the Council of providing universal free school meals would be much higher.

4.2 Legal Implications:

The Council and Governing Bodies have a legal responsibility to provide meals at schools for pupils who are eligible for school meals and may make such provision in respect of other pupils in accordance with relevant legislation. The Council may also provide meals and refreshments for children attending Children's Centres. Accordingly the council may enter into a contract with a service provider for the supply of catering services to the Council's schools and other educational establishments in Islington (section 1 of the Local Government (Contracts) Act 1997).

The current school meals contract with the current provider expires on 31 March 2018. The contract period has been extended from September 2016 to this date. Accordingly, the Council and Governing Bodies must ensure that appropriate new arrangements are in place for the provision of school meals from 1 April 2018.

The provision of school catering services is subject to the light touch regime set out in Regulations 74 to 77 of the Public Contracts Regulations 2015 (the Regulations). The threshold for application of this light touch regime is currently £589,148. The aggregate value of the proposed contract is above this threshold. The contract will therefore need to be advertised in the Official Journal of the European Union (OJEU). There are no prescribed procurement processes under the light touch regime. Therefore the council may use its discretion as to how it conducts the procurement process provided that it discharges its duty to comply with the European Treaty principles of equal treatment and transparency. Use of the restricted procedure will facilitate discharge of these principles.

On completion of the procurement process the contract may be awarded to the highest scoring tenderer subject to the tender providing value for money for the council.

4.3 Environmental Implications:

The specifications for the contract will detail the requirements for the standards of school food. This will incorporate objectives for sustainable food, including the use of seasonal and ethically sourced food and ingredients where possible. The provision of sustainable food is also about how the food is sourced, packaged, transported, prepared and disposed of. These factors will impact the type and size of the environmental impact the delivery of the contract has and the Council will require the contractor to take these into account. The contractor will also be expected to minimise the amount of waste produced in delivering the contract and will need to measure, manage and report on waste by type.

4.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

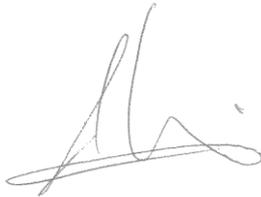
A resident impact assessment has been completed. The key residents impacted by the service are the pupils in the contracted schools and their families as well as staff in the schools. The catering provider will also employ staff across the schools and will be encouraged to employ local residents, who would also be impacted. There are no negative impacts identified in the assessment and there are opportunities identified for advancing equality of opportunities and fostering good community relations. In addition the contract can help address inequalities associated with socio-economic disadvantage by ensuring all school children can receive a healthy nutritious meal every school day and by providing an attractive entry or re-entry point to the workplace.

5. Reason for recommendations

5.1 The school meals service has been a priority for the council in Islington. Given our success in increasing take up and the number of schools buying the service, it is imperative that we continue to have a high quality and well managed service. Joint procurement of services is council priority and Islington and Camden are both seeking approval to proceed with this procurement strategy. We wish to use a restricted tender option as the most efficient way of procuring the services.

Final report clearance:

Signed by:



10 May 2017

Executive Member for Children and Families

Date

Appendices: None

Background papers: None

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