

CABINET

20 DECEMBER 2011

GATEWAY 5 REPORT PROCUREMENT CONTRACT MANAGEMENT REPORT: CORPORATE SCHOOL CATERING CONTRACT

Portfolio Holder: Councilor Les Wicks, Children's Services

Report from: Rose Collinson, Director of Children and Adults

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Summary

This report reviews the progress of the School Meal Catering contract currently awarded to Chartwells (Compass Group). It also recommends Cabinet to approve the extension of the contract for a further period of 24 months. The contract gives the Council an option to extend the contract term by up to 24 months.

The procurement process for this contract was undertaken during 2009 and led to an award of contract on 1 August 2009.

The commencement and delivery of this procurement requirement was considered by Strategic Procurement Board on 28 November 2008 and approved by Cabinet at Gateway 1 on 16 December 2008 and subsequent approval for contract award was provided by Cabinet on 23 June 2009.

Approved Procurement Gateway 1 and Gateway 3 reports relating to this Gateway 5 report are available upon request.

This Procurement Gateway 5 report has been approved for submission to the Cabinet after review and discussion at Children's and Adult's Directorate Management Team meeting on 18 November 2011 and the Strategic Procurement Board (30 November 2011).

The contract contained an agreed subsidy on each meal, which resulted in a high risk rating being applied. The contract no longer contains a subsidy.

1. Budget and Policy Framework

1.1 Procurement Contract Management

1.1.1 This procurement contract management report and its subsequent review is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council Obligations and Departmental / Directorate service plans as highlighted within the Procurement Gateway 1 Report.

1.2 Funding/Engagement From External Sources

1.2.1 As this procurement contract management report and any subsequent resultant decision(s) encompass funding / engagement from external sources, authority to proceed with any resultant decisions as per this report have been reviewed and approved by the following External Funding bodies. Schools are responsible for the free meals associated with the service. Schools agreed to the life term of the contract at the consultation stage.

2. Background

Cabinet agreed to the School Meals Catering Contract being awarded to Chartwells (Compass Group) for a period of three years from 1 August 2009 to 31 July 2012, with an option to extend for a further two years.

The current corporate let catering contract for schools expires on 31 July 2012. Responsibility and budget provision for the school meal service is delegated to Medway schools. Schools have the options to buy into the corporately let contract, or contract out to an alternative provider (either individually or as part of a cluster of schools), or provide their own catering service. The free meal element of the service is a Government requirement; an allowance is made in each delegated schools' budget for the free meal element.

2.1 Contract Details

2.1.1 This contract is a Services contract.

2.1.2 Supplier Details

This Gateway 5 Report relates to the Corporate School Catering Contract currently delivered through Chartwells (Compass Group).

2.1.3 Contract Description

Traditionally the majority of primary and a few secondary schools in Medway have supported the school meal service; of the 78 primary schools within Medway 76 is currently part of the school meal contract, along with 3 secondary schools. The remainder of the primary schools have in-house provision, with the secondary schools having a range of independent providers.

The current provider has as part of the contract to provide school meals delivered on the following areas:

Working with the community

Community Support

- The Contractor has been working with the PCT (NHS Medway) in arranging and supporting activities, by providing a range of cookery demonstrations ('Ready Steady Cook' and 'Fun Fitness and Food') at a large community day in Luton.

Apprenticeships

- To engage with 6th form students to learn skills and obtain qualifications to help with local employment. The consultation and selection with schools is in progress. The aim is for six young apprentices to start September 2012.
- Year 11 pupils spend time within our kitchens for a week as part of their work experience.

Old Age Pensioners lunches

- A number of schools have welcomed the local old age pensioners into school to have lunch with the pupils.

Working on increasing the school meal uptake

School Meal Campaign

This provided children with a complimentary meal to help increase and sustain meal uptake, which was funded from the school lunch grant.

- Anecdotal evidence from the schools that have taken part suggested that having a meal at lunchtime helped with behaviour throughout the day.
- Workshops aimed at engaging the parents in healthy eating have been held in participating schools and all participants were surveyed.

Trolley service

This concept was funded from a Government Grant to improve the dining experience of children and young people.

- 30.5% of schools have had a family style service implemented involving children helping themselves from food carts. This has been received well with all parties and at no extra food cost to parents.

Cookery workshops

- Workshops for children have been held within schools to help engage with the pupils and extend their knowledge of different types of foods to encourage long-term healthy eating habits.

Parent Lunches

- Parents have been invited in to participating schools for lunch with their children to see the food choices that are on offer and to experience the lunchtime service.

- Parent evenings are attended by Chartwells to answer questions from parents and children and young people regarding the school meal offer, with the aim of promoting the school meal service.

Your Choice pre ordering

- The pre-ordering system has been introduced to schools that have expressed an interest in the service. The system ensures that children have their first choice from the current menu. This has proven to increase the uptake in some schools by 28% and engaged parents and children to discuss the food offer together.

Working in partnership

Cost of Catering before target

- All subsidies have been eradicated before the agreed time scale.

National Schools Meals Week

- Chartwells to fund a free meal for every child when the survey is completed to gauge option and data with reference to school meals.

Six new school returns

- 8% of estimated returned to main contract.

Working with our employees

Training & Skills development:

- 80 employees have achieved an NVQ – 20 from this year;
- All new employees go through an award winning induction;
- Ongoing development for all employees is available;
- Online training courses in Health & Food Safety are provided with employees learning at their own rate.

Implemented quality standards

- All of the Medway kitchens have been part of the process to achieve the ISO 14001 standard.

LACA (Local Authority Catering Association)

- All Medway cooks are encouraged to take part in national LACA competitions to demonstrate their culinary skills. A Medway Catering Manager has succeeded in progressing to the next stage of the competition, the South East Regional final.

2.2 Permissions Required

- 2.2.1 This report provides the Strategic Procurement Board with a procurement contract management report and a request to recommend to Cabinet that the contract be extended for a further period of 24 months from 31 July 2012 on the basis that the supplier has satisfactorily performed its obligations in accordance with the service specification and the associated contract terms and conditions. The conditions of contract give the Council an option to extend the contract for a further term of up to 24 months.

Further and following a dialogue with the supplier, the annual RPI increase has been reduced and capped (please refer to paragraph 2.3.1 within the Exempt Appendix) if the decision to extend the current contract is approved.

3 Options

In arriving at the preferred option as identified within Section 4.1 'Preferred Option', the following options have been considered with their respective advantages and disadvantages.

3.1 Conclude Current Contracts and Provide Action Plan

The option of concluding this contract with immediate effect for supplier non-performance and providing an action plan to re-tender requirements has been considered. Although there are provisions within this contract's terms and conditions to cancel contractual arrangements, it is not a viable option because the supplier is performing above the contract specification.

3.2 Continue With Current Contract and Negate Any Further Gateway 5 Reporting Requirements

The option of continuing with the supplier for the remainder of the contract term and negating any further Gateway 5 reporting requirements has been considered and below are the advantages and disadvantages of this option:

Advantages

- The contract has delivered agreed contractual targets and outcomes.

Disadvantages

- Arrangements will need to be immediately put in place to re-let the contract upon its termination on 31 July 2012.

3.3 Continue With Current Contract and Subject Contract to Further Gateway 5 Reporting Requirements

The option of continuing with the supplier for the remainder of the contract term and subjecting the contract to further Gateway 5 requirements has been considered and below are the advantages and disadvantages of this option:

Advantages

- None due to the Contactor performing to agreed outcomes

Disadvantages

- N/A

3.4 Extend Current Contract

The option of extending the current contract for 24 months has been considered and below are the advantages and disadvantages of this option:

Advantages

- Schools are satisfied with the current contractor and the contract is performing above agreed outcomes;
- In continuing with the current contract some of the impact of the economic difficulties can be managed within the current contractual arrangements.

Disadvantages

- None.

3.5 Other Alternative Options

No alternative options have been identified.

4. Advice and analysis

4.1 Preferred Option

4.1.1 Further to an extensive review of procurement options as highlighted within Section 3 'Options' above, the following preferred option 3.4 is recommended to the Strategic Procurement Board.

The following procurement outcomes / outputs have been appraised in the table below to demonstrate how the procurement contract and corresponding supplier have continued to deliver aid outcomes / outputs as part of ongoing contract management.

These outcomes / outputs are in relation to outcomes / outputs identified as important at Gateway 1 to the delivery of this procurement requirement, identified as justification for awarding the contract at Gateway 3, and outlined as part of the post project appraisal at Gateway 4.

Outputs / Outcomes	How has success been measured?	Who has measured success of outputs / outcomes	When was success measured?	How has procurement contract delivered outputs / outcomes?
To develop a sustainable service, which meets the needs of the present without compromising the ability to meet the needs of any future service.	The reduction of the remaining subsidy by 2011 has ensured that the meal uptake will not be affected by the loss of the school meal grant.	School Food Trust through the NI 52.	Ongoing	Contractual arrangements.
In partnership with all stakeholders of the service ensure a year on	Through the national collection of data for the NI 52 school meal take up date	School Contracts Team	End of financial year 2010.	The increase has been in part to the free meal campaign for all pupils (funded from the

year increase in school meal take up.				school lunch grant) 2010 and the targeted free meal campaign for pupils in 4 schools and part the contractual arrangements.
Marketing that includes customer surveys (all stakeholders) and planned activities, in consultation with individual schools to meet the individual needs of the schools.	Chartwells (the School Food Contractor) in partnership with Medway Council's School Contracts Team have been delivering a range of food-based workshops. The workshops are delivered by the Company's Executive Chefs and is aimed at encouraging children to try a range of healthy foods; and for the parents there are cooking workshops aimed at demonstrating key cooking skills. Each parent is given the ingredients for the workshop to take home and try the dishes presented. Each of the workshops has been well attended by parents at all of the participating schools – Wayfield, Luton Infant & Junior and Saxon Way.	Schools, Parents and School Contracts Team	Throughout 2011.	N/A
Work in conjunction with Medway Council and Schools to reduce and where possible remove any agreed subsidies by 2011.	Achieved 2011	School Contracts Team	2011	

4.1.2 Procurement Project Management

No further procurement management resources or skills are required to be deployed on this contract, until the re-letting of the contract which will start 2013 with the aim to start a new contract term from July 2014 and there are no additional termed requirements.

4.1.3 Contract Management Resources and Skills

The contract management of this procurement contract will continue to be resourced for the remainder of the contract through the following contract management strategy – the current contract management of this contract is funded through Service Level Agreements with participating schools. The arrangement is for the schools to fund the monitoring and management throughout the contract term, although the Service Level Agreements with Medway Council is annual.

Monitoring arrangements have developed through the contract. The monitoring of this contract is based on three monitoring sources:

- a. A contract monitoring form is used to collect outcomes and general contractual data;
- b. The Contractor self monitors all units comprehensively to Company Standards;
- c. Schools complete monthly Customer Satisfaction Certificates, which are collated by the School Contracts Team. Any certificates that indicate the existence of underperformance are dealt with by both the Contractor and the Contracts Monitoring Officer immediately.

Monthly contract monitoring meetings are held to review the progress of the contract.

4.1.4 Other Issues

The following issues, namely on-going high fuel costs coupled with a dry growing season leading to increases in the cost of raw materials, have been identified as ones that could potentially impact on the remainder of this contract term and justification has been provided accordingly as to how these issues have or will be mitigated. To reduce this impact an agreement has been reached with the supplier as part of the extended contract terms (see exempt appendix).

4.1.5 TUPE Issues

Further to guidance from Legal Services, Human Resources and the Strategic Procurement Team, it was identified at Gateway 1 that as this is a Services related procurement contract. TUPE did potentially apply to this procurement process.

The recommended contract award at Gateway 3 did not result in any employees being affected by TUPE as a result of the incumbent provider being successful as part of this procurement tender process. There are no further TUPE issues to consider at this stage.

5. Risk Management

5.1 Risk Categorisation

The following risk categories have been identified as having a linkage to this procurement contract at this Gateway 5 Stage:

Procurement process	<input type="checkbox"/>	Equalities	<input type="checkbox"/>
Contractual delivery	<input checked="" type="checkbox"/>	Sustainability / Environmental	<input checked="" type="checkbox"/>
Service delivery	<input checked="" type="checkbox"/>	Legal	<input type="checkbox"/>
Reputation / political	<input checked="" type="checkbox"/>	Financial	<input type="checkbox"/>
Health & Safety	<input type="checkbox"/>	Other	<input type="checkbox"/>

For each of the risks identified above in OPTION B, further information has been provided below.

Risk Categories	Outline Description	Risk Impact A=Very High B=High C=Significant D=Low E=Very Low F=Almost Impossible	Risk Likelihood I=Catastrophic II=Critical III=Marginal IV=negligible Impact	Plans To Mitigate Risk
a) Procurement process	N/A	N/A	N/A	N/A
b) Contractual delivery	Non-conformance to contract specification.	C	111	Communication and monitoring systems in place to ensure that the specification is adhered to.
c) Service delivery	Failure to deliver service to any of the schools within the contract.	H	111	The current contract has contractual safeguards to ensure delivery.
d) Sustainability / Environmental	The loss of the School Lunch Grant – to invest in the service could impact on the long-term sustainability of the provision for school meals.	B	111	The contractual requirements for the first 3 years of the contract ensured that the initial subsidy being paid on a school meal was absorbed within the contract meal

				price by 2011. This has been achieved.
e) Legal	N/A	N/A	N/A	N/A
f) Financial	N/A	N/A	N/A	N/A
g) Reputation / political	Any contractual failure would impact on the reputation of Medway Council.	B	111	Ongoing monitoring of the contract with specialist catering monitoring staff.

6. Consultation

6.1 Internal (Medway) Stakeholder Consultation

As part of this ongoing procurement contract management no internal stakeholder consultation is required.

6.2 External Stakeholder Consultation

As part of this ongoing procurement contract management, the following mandatory external stakeholder consultation is required – On going consultation with schools is required throughout the contract term – see graph at paragraph 2.1.3.

7. Strategic Procurement Board

7.1 The Strategic Procurement Board considered this report on 30 November 2011 and supported the recommendations set out in paragraph 9 below.

8. Financial and legal implications

8.1 Financial Implications

8.2.1 This contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9, has the following financial implications which the Cabinet must consider – the two year extension of this procurement contract will continue to be funded from schools delegated budgets and represents best value for the provision of school meals in Medway.

8.2.2 Detailed finance and whole-life costing information is contained within Section 2.1 Finance and Whole-Life Costing of the Exempt Appendix.

8.2 Legal Implications

8.2.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9, has the following legal implications which the Strategic Procurement Board / Cabinet must consider. Provision is included in the current contract for the Council to have an option to extend the initial contract term for a further period of up to 24 months. The exercise of this option is subject to satisfactory performance of the contract by the supplier throughout the initial contract term and the contract performance review information shows that the services provided have been satisfactory and above the requirements of the contract.

8.2.2 The agreement with the supplier to cap the annual RPI at a reduced rate of 4% should also result in the contract continuing to provide value for money. Some amendments to the current terms and conditions of contract have been negotiated and agreed with the supplier and the extended term will be subject to the amended terms and conditions of contract. None of these amendments significantly alter the original terms and conditions of contract or adversely affect the Council's interests.

8.3 Procurement Implications

8.3.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9, has the following procurement implications which the Strategic Procurement Board must consider – Strategic Procurement supports the recommendations set within this report to extend the current contract for a period of 24 months. This extension is based upon a sound rationale of ongoing good performance and a commitment from the supplier to operate on the basis of a reduced RPI rate for the 24-month extension period. The client department is advised to liaise with Legal and make the necessary arrangements to formalise the contract extension and to liaise with Strategic Procurement and update the corporate contracts register accordingly.

9. Recommendation

9.1 The Cabinet is requested to agree the 2-year extension to the current service provider, Chartwells (Compass Group), as set out in paragraph 4.1.1 of the report.

10. Suggested reasons for decision(s)

10.1 The recommendations contained within Section 9 'Recommendations' above are provided on the basis of the contract performing to agreed outcomes.

Lead officer contact

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Background papers

The following documents have been relied upon in the preparation of this report:

Description of document	Location	Date
Gateway 1 Report	http://democracy.medway.gov.uk/ieDecisionDetails.aspx?AllId=1186	Date of Decision: 16/12/2008
Gateway 3 Report	http://democracy.medway.gov.uk/ieDecisionDetails.aspx?ID=1060&nobdr	Date of Decision: 23/06/2009