

CABINET MEETING

Agenda Item 61

Brighton & Hove City Council

Subject:	Procurement of the Primary & Specials Schools Meals Contract		
Date of Meeting:	26 April 2010		
Report of:	Director of Children's Services		
Contact Officer:	Name:	Steve Healey	Tel: 293444
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Key Decision:	Yes	Forward Plan No: CYPT14946	
Wards Affected:	ALL		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The report seeks authorisation to let the contract for all Primary & Special Schools Meals within the city of Brighton & Hove. The current contractual agreement is due to end 31st July 2011.
- 1.2 The Corporate School Meals Contract currently services all primary & special schools and serves approximately 6000 meals per day and with a current value of approximately £2.2m per annum.

2. RECOMMENDATIONS:

- 2.1 That the Cabinet Member approves the commencement of the re-tendering process for the Primary & Special School Meals Contract. The new contract is set to commence on 1st August 2011 for a period of 4 years with the option to extend for up to a further 24 months (2 years).
- 2.2 That the Cabinet Member delegates authority to confirm the award of the contract to the Director of Children's Services, within whose Department the contract is managed.
- 2.3 That the Cabinet Member notes that in parallel to the tendering process a separate costing exercise will take place. This will determine whether insourcing of school meal arrangements would offer financial or other potential benefits to the Council and schools.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The contract was last tendered in 2002, for a period of 5 years with the opportunity to extend for a further 2 years. During the 2 year extension a

consultant was employed to explore tendering options. The findings are detailed below.

- 3.2 A specialist consultant (AVL Consultancy) engaged to explore the options for school meals in Brighton & Hove recommended that the contract for primary and special schools should be extended for two more years from 2009, so that the end date coincided with the end of the Government funded School Lunch Grant.
- 3.3 Given the uncertainty of grant funding beyond 2011 and the limited potential for reaching an advantageous agreement for a two year extension, legal advice was sought following the recommendations of the consultant. The advice was that in the limited market, the risk to the Council of further contract extension was minimal, therefore the recommendation was followed.
- 3.4 All Primary & Special Schools opted to remain within corporate arrangements for the remainder of the contract extension to 2011.
- 3.5 All Secondary Schools within Brighton & Hove have delegated responsibility for the provision of school meals. Secondary schools have self- managed contracts with a number of service providers.
- 3.6 The service specification will ask prospective Tenderers to demonstrate a commitment to sustainability issues. Food supplied should be healthy and produced in ways that respect the environment, animals and people. It may also look at commitment to contractors using the London food hub once it is established and operating cost effectively. Tenders will be assessed and scored taking into account a range of sustainability related issues, including food miles and provenance, the use of environmentally friendly packaging systems and cooking techniques, the use of seasonal ingredients and local and sustainable sourcing. At the same time the process must ensure the tender achieves Best Value for the Council, parents, schools and other stakeholders. If the correct balance is not found then increased costs related to sourcing could significantly increase the cost of a meal to paying customers and of free meals to the Council's budget. This could lead to a reduction in the number of meals taken. Not only would be this to the detriment of the Council's interest in the contract but it could also result in less pupils having access to a balanced healthy meal that conforms to national nutritional guidelines.

4. CONSULTATION

- 4.1 Consultation is taking place with a view to establishing a specification with quality criteria which meets government nutritional guidelines, stakeholder and council needs. From these criteria will be drawn evaluation criteria and weighting for determining the most economically advantageous tender which will comprise an appropriate mix of cost and quality.
- 4.2 The consultation process will include all Schools – during the Spring Term Headteachers are being asked to complete an online survey, this will give an insight for development of the specification. During the summer term

schools will be asked to commit to being part of the future corporate arrangements from 1st August 2011. Alongside this Procurement and Legal Services will advise.

- 4.3 The Parents' Forum has previously approached the School Meals Team for discussion on school meals issues, and a meeting recently took place with Forum members attended by the School Meals Manager and the Head of School Admissions and Transport. The Forum will be invited to contribute to the consultation process, and further meetings can be arranged for that purpose.
- 4.4 The option of an insourced school meals service should also be evaluated on cost and quality criteria. This process would not be part of the tendering exercise but will inform the development of the service specification. In the course of this process it could become apparent that insourcing is potentially a financially viable option. If this were to be the case legal advice would be sought about an in house service.

5. FINANCIAL & OTHER IMPLICATIONS:

- 5.1 There are financial risks associated with the provision of school meals. These will arise from a number of factors, such as the number of meals taken and the effect that has on unit cost, the changing costs of labour and food prices, and changing expectations around food sourcing nutritional standards. In the recent past a television programme resulted nationally and locally in a reduction in the number of meals taken. At the time of writing the local school meals contract costs exceed the income generated through the provision of free and paid meals. This shortfall is currently being met through the School Lunch Grant.
- 5.2 An understanding of the wider financial risks to the Council is necessary in planning future measures to secure the provision of school meals in the City. During the development of the specification we will need to be mindful of proposed payment mechanisms to ensure that the proportion of risk for the Council and the provider is adjusted.

Financial Risk

The key financial risks are:

- That the School Lunch Grant will finish in 2011 and not be replaced. At current costs this would leave a potential gap of £197,000 in the meals budget.
- If the shortfall were to be recouped through increased meal prices approximately 17.3p (at current take up levels) per meal then meals take up would likely fall. Lower levels of take up would make the service in all schools less cost effective, and could result in additional contract costs or reductions in service provision.
- Any national initiatives e.g. via the School Food Trust or local requirements that further prescribe the type of ingredients, such as organic produce or locally sourced produce would impact on the meal cost. The effects of price increases are set out above.

- Should there be a major reduction in meals take up for any reason there would be a cost to the Council as the unit cost increases.
- There would be a direct impact on the free school meals budget arising from any increase in the paid meal cost. The budget would have to increase to reflect higher meals costs so that the Council can pay the contractor for free meals and non contract schools can meet the costs of their free meals from their delegated budget share.

The risks highlighted above and the overall funding for the school meals service will need to be reviewed as part of next years budget process to ensure there are no additional costs to the council in 2011/12 and beyond. Funding for any increased costs resulting from the new schools meals contract would need to be identified from within the Dedicated Schools Grant budget.

Finance Officer Consulted: Paul Brinkhurst

Date:13/04/10

Legal Implications:

- 5.3 The new contract to be tendered is a 'Part B' service for the purpose of EU procurement law and UK procurement Regulations, and therefore not subject to the full application of either. The Council will nevertheless be required to comply with EU Treaty objectives of non-discrimination and openness in procurement, as well as comply with its obligation to seek Value for Money. Where the value of the contract is in excess of £75,000 it must be in a form approved by the Head of Law. The Council must take the Human Rights Act into account in respect of its actions but it is not considered that any individual's Human Rights Act rights would be adversely affected by the recommendations in this report.

Legislation requires that the City Council must provide free school meals to eligible pupils who qualify on the basis of low family income. The Council is also required to provide a school meals service for paying customers where parents request such a service.

Lawyer Consulted: Serena Kynaston

Date:16/04/10

Equalities Implications:

- 5.4 In framing the specification care must be taken to ensure that adequate provision is made for special dietary needs related to health and to ideological or religious observance. The terms of the contract tendering process will require potential service providers to demonstrate that they have policies in place to ensure that staff and customers are treated in such a way as to support their rights in equalities legislation.

Sustainability Implications:

- 5.5 Sustainability issues will be addressed in the Pre Qualification Questionnaire and service specification documents. The specification and evaluation criteria will include reference to local and sustainable sourcing including food miles, food provenance and the use of seasonal ingredients and food produced using sustainable practices.

Crime & Disorder Implications:

- 5.6 There are no direct implications for crime and disorder in the report.

Risk & Opportunity Management Implications:

- 5.7 The key risks in not taking forward a tendering process for Primary & Special School Meals are:
- There would be no consistent provision in place to cater for pupils entitled to receive free school meals
 - There would be no consistent provision for parents/carers wishing to purchase a school meal
 - There would be no economy of scale available to schools making individual arrangements for the production of meals. This would have a direct impact on the cost of meals production and the cost of school meals to parents and the free school meals budget. The effect is likely to be more pronounced in primary and special schools as small trading units
 - Schools would have to operate individual services either in house or contracted out directly. This could result in differential pricing across the City.

Corporate / Citywide Implications:

- 5.8 The provision of nutritionally balanced meals contributes to the health and well being of pupils. There are also learning benefits associated with the consumption of a school lunch to sustain pupils through the course of the school day. School meals can also provide an opportunity for schools to engage children and families in activities which promote a healthy lifestyle. For example recognition of food items, experimentation with different foodstuffs and recipes and the development of social skills.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The Council does not have an in-house catering operation to support the requirements currently covered by the School Meals contract. In order to set up such an operation there would need to be a full evaluation of the legal, practical and financial issues. It is possible that such an arrangement could deliver a similarly priced service to that which the Council has been receiving through contracting. However it should be noted that this option would require the provision of additional HR, finance and payroll support

beyond the service itself. There would also be a need for more direct involvement in day to day management and staff management rather than monitoring of the contract as at present.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 To ensure that suitable catering provision is available to support schools throughout the City.
- 7.2 To ensure that the Council meets its legal obligations with regard to provision of free and paid meals
- 7.3 To ensure that the school meals served in Primary and Special schools are of a high quality and meet the Government's nutritional standards
- 7.4 To secure the most cost effective meals service across the city's primary and special schools
- 7.5 To examine the option of insourcing the service and whether such an approach would prove financially viable

SUPPORTING DOCUMENTATION

Appendices:

NONE

Documents in Members' Rooms

NONE

Background Documents

NONE