
Executive

27 April 2010

Report of the Director of Adults, Children and Education

Report on the award of the school meals catering contract

Summary

1. This report seeks approval for the award of the school meals catering contract.

Background

2. The school meals catering contract, which is operated by North Yorkshire County Caterers, expired on 31 March 2010. The contract had been in place since 2001 and the Authority offered the contract to the open market to comply with financial standing orders and seek best value.
3. To allow continuation of service during the final stages of the new tender award, a Service Level Agreement is in place for North Yorkshire County Caterers to provide the service until the end of the summer term in July 2010.
4. The new contract will run for an initial period of five years, with an option to extend for 2 years then a further 2 years, if both the Authority and the contractor are willing.

Selection Process

5. Six companies were invited to tender following the pre-qualification questionnaire process; these were Compass Contract Services Ltd, ISS Facility Services - Education, North Yorkshire County Caterers, Dolce Ltd, Cygnet Foods Ltd and Eden Foodservices.

Evaluation Process

6. The evaluation of the contract has been carried out in line with the authority wide evaluation policy using the CIPFA Standard Deviation Model. The CIPFA model is an evaluation tool that calculates the mean average of the submissions, assigning half the points available to the mean. Suppliers' scores are then calculated by a percentage deviation from this mean score. This methodology is applied consistently throughout the model after each stage to both cost and quality scores. The evaluation was made on the basis of the 'Most Economically Advantageous Tender' rather than on price alone.

7. The evaluation team was consistent throughout the process and was supported with advice from the Corporate Procurement Team.

Cost evaluation

8. Cost accounted for 60% of the overall evaluation. The evaluation model calculated the whole life cost for each supplier and gave a score. Whole life cost was calculated by adding the total contract costs for primary schools, total contract cost for secondary schools and total charges for function requirements over the 5-year contract period.

Quality evaluation

9. Quality accounted for 40% of the overall evaluation. The quality assessment was divided into ten different sections. These were:

- Staff details
- Sub -contracting
- Food Safety System/ Risk Analysis/Practise on General & Personnel Hygiene
- Staff training
- Proposed menu selection and nutritional analysis
- Provision for emergency meal service arrangements
- Management Structure
- Customer Care Policy
- Marketing Strategy
- Best Value Initiatives

10. The six companies were then short listed to the top-scoring three.

11. Following the short listing, site visits were also made to view the three contractors' performance in other Local Authority areas where they held school meals contracts.

Analysis

12. See Annex 1 (exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972).

Corporate Objectives

13. **Healthy City**
The provision of a healthy 2-course meal at lunchtime for school pupils not only supports the Healthy City objective, but also fulfils the Authority's legislative requirements.

Implications

Financial

14. North Yorkshire County Caterers are currently charging the authority £2.30 for a 2 course primary meal for the academic year 2009/10. The current selling price to parents is £2.15, with the cost of this subsidy being met from the School Lunch Grant.
15. The authority has been informed by North Yorkshire County Caterers that the contract has underperformed in financial year 2009/10 and they require a contract top up in the region of £94k to break even. This additional cost was anticipated and can be funded from the School Lunch Grant in financial year 2009/10.
16. This additional payment effectively increases the amount of subsidy per meal by a further 12 pence, giving a total subsidy of 27 pence per meal. This brings the true contract cost up to £2.42 per meal in 2009/10.
17. The top-scoring contractor has quoted a cost price to the authority of £2.34 per primary meal. This is only 4 pence above the contract price being charged by NYCC at present, and once the additional subsidy is taken into account is actually 8 pence lower than the current cost to the authority per primary meal (there is no provision in the new contract for the contractor to require additional top up payments from the authority if take up reduces).
18. In order to maintain the current selling price of £2.15 under the new contract for the academic year 2010/11 a subsidy of 19 pence per meal will be required.
19. In the 2009/10 academic year, the estimated amount of subsidy required from the School Lunch Grant to fund the full 27 pence shortfall, and also provide funding for schools not in the contract at an equitable level is £294k. The amount required for the 2010/11 academic year, based on the assumption above, would be £280k. This demonstrates that the recommended tender represents value for money compared to the current arrangements.
20. The cost of this subsidy is currently being funded from the School Lunch Grant, with any additional top up having to be charged to the Dedicated Schools Grant. The School Lunch Grant is only guaranteed until the end of 2010/11, so this level of subsidy is unlikely to be sustainable in the longer term. Further cost reductions will therefore need to be identified during 2010/11 to avoid above inflation increases to the selling price. This will be subject to further discussions with the Schools Forum, and a further report to the Executive Member later this term when the selling price from September 2010 will be set.

Human Resources

21. Although the catering staff in schools work for North Yorkshire County Caterers the City of York Council have an overreaching responsibility to ensure that staff transfer to the incoming contractor in the correct way

following TUPE guidelines. The North Yorkshire Pensions Fund have created a simplified method of admission agreement to cover small TUPE transfers (each school is a separate employer) and the incoming contractor may use this Admission Agreement at a cost of 18% of the pensionable salary of the staff transferring. This is the same rate that City of York Council pays for its employer contributions. (This rate will be recalculated with effect from 1 April 2011 and is likely to be increased). This simplified method is less costly than full admitted body status but the Council would expect the contractor to pay for the legal costs of drawing it up. The incoming company does not have to use this method and may have their own way of proving that their pension scheme is broadly comparable to NYCC. However, if they choose to use their own method and there are errors in the information given by North Yorkshire County Caterers then any extra cost incurred would be their own responsibility. The authority will not indemnify the incoming contractor for any shortfalls or errors in the TUPE information given by North Yorkshire County Caterers.

Equalities

22. There are no known equalities implications

Legal

23. Other than compliance with TUPE, there are no additional legal implications in addition to which would arise in a contract of this type and which have been dealt with throughout the contract and procurement process.

Crime and Disorder

24. There are no known crime and disorder implications.

Information Technology (IT)

25. There are no known IT implications

Property (*Contact – Property*)

26. There are no known property implications

Other

27. There are no other known implications

Risk Management

28. The highest risk factor in this process is that there is a disruption to the provision of school meals. In order to mitigate this risk, the evaluation process has been rigorous in checking that the companies under consideration are experienced in school meal provision and have the financial standing to make them secure. References have been taken up and site visits made to see the meals service. Costs have been checked to ensure that the tender prices are realistic and therefore sustainable. The contractors

have also been questioned regarding their proposed handling of the changeover from the existing contractor to secure a smooth transition. Audited accounts have been scrutinised to determine the financial viability of the companies and the chosen contractor will be contractually obliged to continue to submit accounts for monitoring throughout the life of the contract.

29. School food has a legislative requirement to meet minimum nutritional standards. To ensure the appointed contractor meets these standards, proposed menus are frequently inspected and regular visits made to school kitchens by the contracts service client team.
30. Take up of school meals in York is currently low and there is a risk that, either because of price or appeal, meal numbers served could fall even further. In 2008/09, percentages of pupils taking a school meal are 33.1% in the primary sector against 39.3% national average and 27.3% secondary against 35.1% national. There is clearly scope to increase meal numbers by making them more appealing to pupils and parents and this would have the additional benefit of keeping unit costs down. The chosen contractor will have contractual obligations and performance indicators to meet increased take up targets.
31. Related to the meal take up is the risk of escalating costs. To mitigate this, cost reduction initiatives and performance indicators will be written into the contract.

Recommendations

32. The results of the evaluation show that the top two bidders score closely. The bidder ranked as being in first place will be more expensive than the second placed bidder over the course of the 5-year contract period. However, the evaluation process clearly stated that the cost would account for only 60% of the total score with quality the remaining 40%. The top-scoring bidder has shown a consistently higher quality than the others throughout the process. Members are recommended to award the school meals contract to the top-scoring bidder ISS Facility Services – Education.

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Report Approved**Date** 15 April 2010**Specialist Implications Officer(s)** List information for all

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Wards Affected: *List wards or tick box to indicate all***All** **For further information please contact the author of the report****Background Papers: none****Annexes:**

Annex 1 – Cost analysis (exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.)