

Audit & Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	Primary school meals contract – Contract Extension Consultation.
Executive Summary	<p>The existing contract for primary school meals is with Chartwells and runs for four years (plus potential to extend for up to a further two years) from August 2014.</p> <p>As the initial contract period therefore expires in July 2018, if schools decide to re-procure, we will need to start the consultation process soon. This paper sets out the process for establishing whether a Contract extension will be required and if so, what the implications will be.</p> <p>The paper is coming to the Committee as there were problems in the early days of the current contract which resulted in a call to account. This paper therefore aims to provide an early briefing of the plan for the next steps for the primary school meals contract arrangements to ensure Members are informed and involved as appropriate.</p>
Impact Assessment:	Equalities Impact Assessment: None at this stage.
	Use of Evidence:

	<p>Budget: The annual value of the contract is £3.5m so will need to be listed on the schedule of procurements over £500k when it is either extended or re-procured, so it can be reviewed by Cabinet. The costs fall to the schools' budgets who buy into the contract.</p>
	<p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: Medium Residual Risk: Medium</p>
	<p>Other Implications: None evident.</p>
Recommendation	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> (i) note the content and agree the proposed approach set out in this report; (ii) comment on any additional matters that officers should consider during the consultation period (iii) acknowledge the current supplier's viability requirements and the fact that these are probably lower than viability levels for schools due to the relationship between cost and volume, and funding; (iv) acknowledge the risk that in the event that no central contract is viable, some schools could be left with no provision.
Reason for Recommendation	<p>To enable the consultation with schools to be carried out efficiently and effectively and understand the preferred option(s) for future delivery of primary school meals after the expiry of the initial contract period.</p>
Appendices	<p>None</p>
Background Papers	<p>Report to Audit & Scrutiny Committee 16th October 2014.</p>
Officer Contact	<p>Name: Roger Allen Tel: 01305 221279 Email: r.allen@dorsetcc.gov.uk</p>

1. Background and context

- 1.1 Schools and academies have a statutory obligation to provide school lunches (upon request) to pupils eligible for free lunches and to those pupils for whom it would be reasonable to provide paid lunches. These lunches must comply with The National School Food Standards and with the Food Safety & Hygiene Regulations (England) 2013.
- 1.2 In September 2013 the government announced that Universal Free School Meals would be introduced for all key stage 1 pupils. The impact for Dorset County Council was an expected increase from 5,000 to 11,000 meals per day across the County.
- 1.3 The County Council had already been leading centralised contract arrangements on behalf of itself, Bournemouth Borough Council and the Borough of Poole for many years. School meals provision has changed and developed over the years, the most significant, recent change was the hot school meal initiative, announced in 2007. This required Councils to put in place the infrastructure for a new type of service provision as well as supporting schools to put in place arrangements to deliver the hot school meals service.
- 1.4 One-off grant was provided by Government for the infrastructure in 2008 but no further funding was provided to support the maintenance or replacement of equipment. The County Council's funding was used effectively, options for the provision of hot meals were given to schools including providing their own, use of their own contractor and the central contract which had two main options; brought-in hot and re-heating on-site.
- 1.5 The County Council led the award and management of a seven-year contract arrangement which supported the phased implementation of the new arrangement which took place over a four year period; this contract expired in 2014. Schools across the County diversified their service provision over this period – and since - some via pilot initiatives supported by the County Council, some schools tendering their own arrangements and some choosing an in-house model.

2. Current contract arrangements

- 2.1 The County Council, along with Bournemouth and Poole Councils consulted schools (and academies) during 2012 to establish if there would be interest in a central, primary school meal contract. The response confirmed strong support for an option involving the three Councils establishing a central contract. A contract was subsequently awarded to Chartwells in 2014 for a period of four years with an option to extend for a further two years. Detail of the procurement process can be found in the Audit and Scrutiny Report October 2014.
- 2.2 The contract required significant levels of investment for infrastructure and to support the new social value aspects of the contract arrangement. To secure the investment and best value from the contractor, schools were informed that the contract would need to meet business viability criteria for the supplier and that they would need to commit for the full four-year initial contract period. Schools were further advised that they would be consulted during the second half of the initial contract period to allow them to consider their options, including an extension to the current contract.
- 2.3 There were well-documented issues during the early implementation stages of the current contract, resulting in a call to account in October 2014. Chartwells took on board the concerns raised by the Councils and schools and put in place an action

plan - which included developing a strong management team to build a well-trained workforce and to have all the necessary infrastructure in place. The supplier is now delivering high performance across all aspects of the contract as reflected in regular feedback taken from schools. The County Council also operates robust and proactive contract management and quality assurance processes, which have supported improvements in quality and service. As well as direct contract with officers, regular customer surveys from schools, parents and pupils have supported and evidenced service improvements.

3 Current contract coverage, uptake and funding

3.1 The initial contract was secured with 105 schools across Dorset. Over the last two years the number has increased to 114, as follows:

- DCC Schools: 77
- BBC Schools: 21
- BOP Schools: 16

3.2 Take-up of universal free meals has grown from 65% to 74% and the average number of meals served each days is 11,750. At the time of writing, uptake is as follows:

- DCC Free School Meals 76% - KS1 Universal Infant Free School Meals = 72%
- BBC Free School Meals 75% - KS1 Universal Infant Free School Meals = 75%
- BOP Free School Meals 68% - KS1 Universal Infant Free School Meals = 76%

3.3 Schools (and academies) are currently funded by Government at a rate of £2.30 per UIFSM. The current contractual cost per meal from Chartwells is £1.76, which facilitates funding to support local delivery of meals either through infrastructure or staffing resources.

4 Consultation and options

4.1 As mentioned at 2.2, schools were advised that they would be consulted on future options in the latter half of the initial contract period. The consultation will be run by the County Council's Senior Procurement Officer between January and April 2017. The consultation will establish whether there is appetite to extend the current, central contract arrangement or whether schools wish to make alternative arrangements for school meals provision.

4.2 Consultation meetings will need to be concluded by the end of April 2017. Information on the options will be provided directly to Head Teachers of each school and academy currently using the central contract and will also be published on the Council's schools information portal NEXUS.

4.3 Head Teachers will be asked to provide a decision on their preferred option by the end of May 2017. Although this timescale is tight, it does allow for consultation and agreement with governing bodies. Where a response is not received it will be assumed that the school does not wish to stay with the central contract and this will be explained clearly to them.

4.4 As the lead for the central contract, the County Council will co-ordinate the consultation process for all three authorities. Each authority will be responsible for ensuring that their own elected members are aware of the consultation approach and communicating with the schools and academies in their authority areas.

4.5 One option is the extension of the current contract but other possibilities exist and in order to accommodate the options with the longest lead-time, the consultation needs to be concluded by the end of April 2017 with a formal decision regarding provision from September 2018 to be made by the end of May 2017.

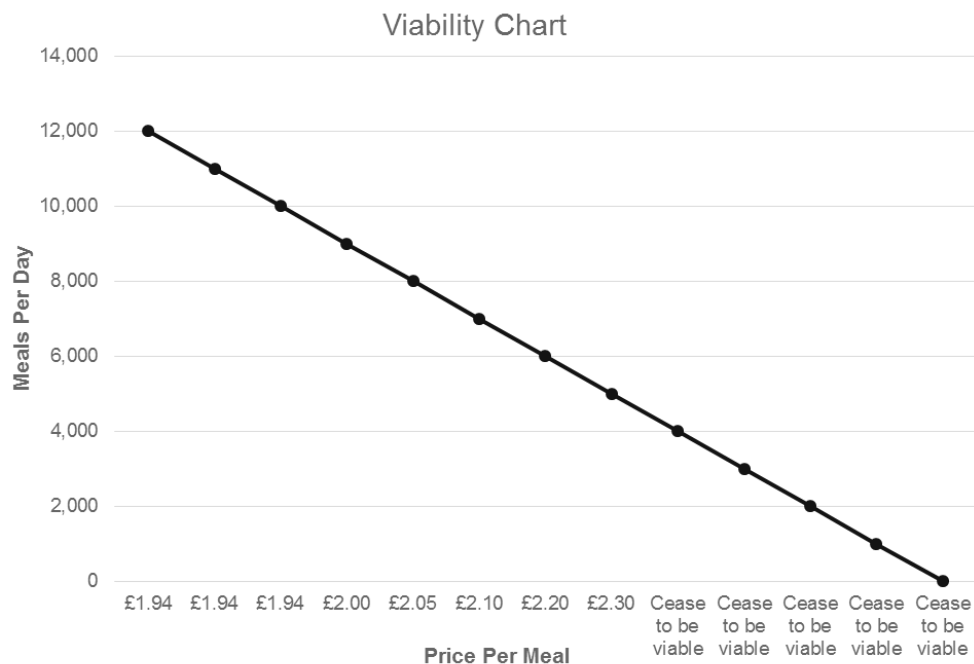
Extend current contract

4.6 In order to extend the current contract we will require schools to sign-up to the deal for the duration of the full contract period - ie until 2020 - to ensure it remains viable for all concerned. We would also wish to avoid a repetition of the consultation exercise for a further, single-year extension.

4.7 We can only extend the contract if sufficient schools express their wish to do so. In order for the business to remain viable for the current supplier, the volume of meals must not fall below 4,000. The supplier’s chart, below, shows how price will vary with quantity.

4.8 The chart shows that although 4,000 meals is still viable for the supplier, the price reaches £2.30 at 5,000 meals and it is likely that the tipping-point for schools is at a price which is still somewhat lower than the £2.30 current funding level.

4.9 If schools do not wish to extend the current contract arrangement and there are sufficient numbers to make a central contract viable we would include local suppliers in the development of any new contract as recommended in the lessons learned in the call to account.



Tender for own service

4.10 Schools are free to carry out a tender for their own service, either as a single entity or as part of a collective/multi-site arrangement. There are several local providers who currently supply schools in the county. Maintained schools must comply with contract procedure rules, which state that any contract with a total value of £100k or above must be formally tendered and that a contract with a value in excess of £164k

is subject to EU Tender. Academies will have their own financial governance arrangements to comply with.

- 4.11 The appetite of each entity to carry out its own tender exercise will depend on the additional benefits they think they can gain from their own approach over and above that delivered through the central contract. They will also need to consider, carefully, the effort that will be required to run the tender process successfully.
- 4.12 We will alert local suppliers to the consultation exercise so that schools can make an informed choice about their options. However, it should be borne in mind that if sufficient volume cannot be generated to extend the current arrangement and if a central contract cannot be re-procured, there is a risk that county-wide coverage will not be viable, resulting in some schools being left with no provision.

Sharing existing facilities

- 4.13 Some schools might wish to approach other schools that already cook on-site to establish whether they could extend their provision to supply nearby schools. If a school that wishes to supply to others has an outsourced contract in place, contract procedure rules (or academy governance/rules) will apply.

In-house provision

- 4.14 Some schools might consider carrying out the service themselves. In such cases the school would need to assure itself that the service would be viable, sustainable and safe by considering the following:
- kitchen facilities available
 - number of meals to be produced
 - food safety implications - including allergens
 - adherence to school food standards
 - costs – direct costs such as food, equipment, staffing etc as well as overheads
 - arrangements for management of the service
 - contingency arrangements.

5 Legal considerations

- 5.1 The UK has not yet applied to leave the European Union. The procurement rules set out in the Public Contracts Regulations 2015 will therefore continue to apply to all contracts let by UK public bodies, meaning the school meals contract work will be carried out within existing legal framework.

6 Summary

- 6.1 The Committee is asked to support the approach outlined above and to contribute any other considerations that need to be taken into account. Consideration also needs to be given to the risks involved with being unable to deliver a central contract and Members will be informed of the outcome of the consultation.
- 6.2 The Portfolio Holder for Children's Services has also been consulted on the content of this report and the consultation exercise.

Richard Bates
Chief Financial Officer
January 2017