

London Borough of Hammersmith & Fulham

LEADER'S URGENCY REPORT

14 May 2019



REPORT REQUESTING EXTENSIONS TO TWO CATERING CONTRACTS SERVING SCHOOLS MEALS IN PRIMARY AND SECONDARY SCHOOLS ACROSS H&F

Report of the Leader – Councillor Stephen Cowan

Part Exempt Report

Appendix A and B of this report are exempt from disclosure on the grounds that they contain information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Classification - For Decision

Key Decision: Yes

Other services consulted: Not applicable.

Wards Affected:

All

Accountable Director: Lisa Redfern, Strategic Director of Social Care and Steve Miley, Director of Children's Services

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Reasons for Urgency:

School Meals are an essential service used by children and young people in the London Borough of Hammersmith & Fulham (H&F) which ensures that school aged children eat at least one nutritionally balanced meal each day. Free school meals are a statutory Local Authority duty. This report seeks an Urgent Leader's Decision to enable contracts to be extended and critical services maintained beyond June 2019.

Following an initial period of consultation with Headteachers and School Business Managers towards the end of 2018, mixed feedback was received in relation to service

performance for some schools which required analysis and additional consultation to understand and develop responses to. In addition to this, there has been ongoing financial stability issues for one provider with the parent company recently going into administration. This has been the subject of close financial monitoring. The situation is apparently, further complicated by potential supply chain risks relating to Brexit.

This has taken additional time to work through and develop a longer-term plan in conjunction with the Headteachers and School Business Managers. This now means routine Governance timescales are unachievable resulting in this Leader's Urgency Decision report.

AUTHORISED BY:

The Leader has signed this report.

DATE: 15 May 2019

1. EXECUTIVE SUMMARY

- 1.1 School meals across H&F are currently provided by Interserve Catering Services Limited for Primary and Nursery Schools and Cater Link Limited for Secondary Schools and a Pupil Referral Unit. The arrangements for current contracts were established following a shared services procurement exercise in 2015 and 2016. The contract arrangements are split into two Lots. Lot 1 for Primary Schools and Nurseries and Lot 2 for Secondary Schools. There are 34 schools/nurseries in Lot 1 (Interserve) and 5 schools in Lot 2 (Cater Link Ltd).
- 1.2 Contracts commenced in June 2016 for an initial period of three years through to June 2019. Throughout the initial procurement process schools indicated a strong preference for the Council to procure a sovereign borough contract on their behalf for the delivery of school meals. Schools had the opportunity to opt into the borough-wide contract or to make their own arrangements, a total of 42 opted into the arrangement.
- 1.3 This report seeks the approval of an extension to the contracts for both Lot 1 and Lot 2 to enable officers to work in collaboration with schools to develop a new school meals strategy. The development of a new school meals strategy and longer-term procurement strategy will include greater focus on environmentally sustainable and sourced food products, for example consideration of non-palm oil based products.
- 1.4 The report also seeks approval to formalise existing financial commitments made to maintained schools to provide top-up funding as well as to formalise the Adult School Meals payments and Employer Contribution Pension Liabilities.
- 1.5 The School Meals contract management team will continue to work closely with the providers throughout the recommended extension period to ensure services are delivered to a high quality. A service improvement plan will be produced and monitoring at each school will happen termly to ensure service quality and compliance with health and safety. In addition, contract management and strategic meetings will occur routinely with both providers, and this will include robust contract management processes and regular credit rating checks to ensure risks are identified at an early stage. The providers will also meet directly with schools termly to allow for clear and open dialogue.

2. RECOMMENDATIONS

It is recommended that the Leader of the Council approves:

- 2.1 A contract extension of 13 months to the current Lot 1 provider, Interserve Catering Services Limited up until 31st July 2020, (the end of the 2019/20 academic year) at an overall annual contract value of £2.8 million¹.

¹ The contract costs are borne by the School Delegated budgets and not Local Authority budgets except for the specific contributions referenced in 2.3 and 2.5. The contract costs are subject to variation in view of fluctuating meal volumes and contractual indexation increases.

- 2.2 A contract extension of 13 months to the current Lot 2 provider, Cater Link Limited up until 31st July 2020, (the end of the 2019/20 academic year) at an overall annual contract value of £440,000², with approval to extend for the final 11 months as set out in the contract, if required.
- 2.3 Payments to the following five maintained schools for the top-up meals funding as detailed in the finance section of this report for the 2016/17, 2017/18 and 2018/19 financial years totalling £225,000 and as set out in the table below:

School	16/17 (£000)	17/18 (£000)	18/19 (£000)	Total (£000)	Funding Source DSG – (Dedicated Schools Grant)
Bayonne Nursery School	11	11	11	33	Early Years DSG
James Lee Nursery School	11	11	11	33	Early Years DSG
Vanessa Nursery School		27	27	54	Early Years DSG
Randolph Beresford Nursery School		25	25	50	Early Years DSG
Jack Tizard School		27.5	27.5	55	Central Services DSG
Total: (£000)	22	101.5	101.5	225	

- 2.4 Provision to make top up funding payments for the 2019/20 financial year for the following four maintained nurseries subject to:

- School Forum approval and agreement.
- Agreement with schools over total schools' budgets 19/20.

School	19/20 (£000)	Funding Source DSG – (Dedicated Schools Grant)
Bayonne Nursery School	11	Early Years DSG
James Lee Nursery School	11	Early Years DSG
Vanessa Nursery School	27	Early Years DSG
Randolph Beresford Nursery School	25	Early Years DSG
Total: (£000)	74	

- 2.5 Payment to Interserve Catering Services Limited for Adult School Meals at £70,000³ per annum for the 2019/20 financial year only. Further detail on Adult School Meals funding is provided at appendix C.
- 2.6 That the Authority make initial payments for the increase in LGPS Employer Pension Contribution Liabilities to each provider as detailed in the contract and then recharges these amounts to the relevant schools. Specific amounts and estimates are provided at section 12 of this report.

² The contract costs are borne by the School Delegated budgets and not Local Authority budgets except for the specific contributions referenced in 2.3 and 2.5. The contract costs are subject to variation in view of fluctuating meal volumes and contractual indexation increases.

³ These charges are subject to variation in view of fluctuating meal volumes

3. REASONS FOR DECISION

- 3.1 The provision of free school meals is a statutory provision within the Education Act 2003. Each governing body has a duty to provide free lunches for eligible pupils and to provide the opportunity for other pupils to buy lunch.
- 3.2 There has been mixed feedback from Lot 1 schools with some expressing concerns surrounding an extension. This has been based on financial and a small number of operational concerns, (for information on the Interserve company status please refer to exempt appendix A). The majority of schools are satisfied with the service they are receiving and would like to progress an extension. Following a consultation with school Headteachers and School Business Managers surrounding the options available, an extension with a Service Improvement Plan, coupled with a co-developed new School Meals Strategy has been assessed as the most appropriate solution to secure service provision beyond June 2019.
- 3.3 For business continuity purposes, the risk of a provider failure with Interserve has been addressed under a separate draft contingency report.
- 3.4 The Lot 2 schools have expressed an interest in extending the current contract with Cater Link Limited following a consistent level of performance and a positive provider relationship that has been established.
- 3.5 The current contracts have the options to extend for a period of up to two years. This report seeks approval to exercise this extension up to July 2020 for Lot 1 and Lot 2 to enable the Council to continue to commission the delivery of school meals to Interserve Catering Services Limited and Cater Link Limited, whilst simultaneously exploring opportunities as part of the wider review into school meals commissioning arrangements.

4. CONTEXT

- 4.1 Schools played an active and engaged role in the original commissioning process in 2016 both in terms of the design of the service requirements and the evaluation of potential providers during the procurement. A total of seventeen school representatives were involved in the original commissioning exercise and all schools were given the opportunity to join a working group at the outset of the project to shape the specification requirements and to tailor technical quality evaluation questions and presentation topics to best reflect local priorities.
- 4.2 In November 2018, an initial consultation exercise was completed with schools to capture feedback on the services and their preferred commissioning option when the contracts expire in June 2019.
- 4.3 Lot 2 schools consistently expressed a preference to extend for the maximum period with Cater Link Limited. However, some Lot 1 schools expressed concerns regarding the current provider Interserve Catering Service Limited with the majority initially opting to procure new services for June 2019. The School

Meals Contract Team undertook further engagement with a selection of schools to further understand their concerns. The concerns centred around portion sizes, allergies management and transparency of costs.

- 4.4 Based on this feedback, the School Meals Contract Team developed an options paper to present to schools outlining potential commissioning routes. This paper was presented to a group of Headteachers and then subsequently at the North and South Headteacher Cluster Meetings in early March 2019.
- 4.5 A further Contract Board meeting was scheduled with all Lot 1 Headteachers and School Business Managers invited to discuss options, review what works well and to identify areas for improvement in the current contract and agree ways of working moving forward.
- 4.6 At this meeting, a range of feedback was received but with a consensus that the contract in the main provided a good service. There were areas for improvement identified with a minority of schools and Interserve outlined their commitment to resolving these issues and have agreed to work with the individual schools to bring about resolutions to any concerns.
- 4.7 As per the School Meals Access Agreements, Notice of the Authority's Intention to Extend contracts was issued to all schools on 6 March 2019. It was made clear in this communication that approval to extend was subject to formal internal governance approval. This complied with the Access Agreements in that at least three months' notice be provided prior to the contract expiry on the 6 June 2019. Schools had 20 working days to respond with their preferred commissioning option.

5. PROPOSAL AND ISSUES

- 5.1 The school meals contract arrangements were first established under a shared services arrangement in 2016. With the new arrangements in place, some of the smaller nursery schools incurred higher costs for meals than under their previous meal's arrangements. Commitments were made that additional funding would be provided to cover this shortfall. It is recommended that this funding continue throughout 2019/20.
- 5.2 Furthermore, following extensive contract analysis, it is understood that providers are entitled to a pensions adjustment through increases arising from the employers 'Initial Authority Contribution Rate'. As this has increased over time from contract commencement to date, providers are entitled to invoice for this additional amount. It is proposed that, subject to approval at the Schools Forum, this additional amount be recharged on a school by school basis.
- 5.3 Outstanding finance issues, including detail on adult teachers' meals are further detailed at appendix C.

6. OPTIONS AND ANALYSIS

6.1 Officers have conducted a robust options appraisal and considered all options within the available timescales to ensure that a high-quality school meals service can continue to be delivered to all H&F schools that form part of the current contract arrangements. These options are set out below and all options will seek to rationalise the following additional financial commitments:

6.2 **Option 1:** Extend contracts with the existing providers for both Lot 1 and Lot 2 for up to the maximum of two years and work with schools to produce a new School Meals Strategy.

- This option represents the most economically advantageous option for the schools with minimal mobilisation in view of them currently delivering the services.
- It is proposed that during the extension period officers will work closely with schools and other services in developing a new commissioning strategy for School Meals taking into consideration the wider context of priorities around food poverty and healthy eating.

During the consultation schools provided positive feedback in regards to the current contract. This included excellent kitchen staff, flexibility by the provider in adapting menu's specific to the school's needs, prompt responses to queries and flexibility in providing additional services at the request of individual schools, for example a breakfast club offer and healthy eating sessions.

- There were however, some concerns raised during the consultation process by a small number of the Lot 1 schools. These included transparency of cost, quality of meals, portion size and contract management.). Officers will work with schools and the provider to improve the service provision and continue to drive high standards of performance, including service improvements where necessary. The concerns raised by Lot 1 schools will be addressed in a Service Improvement Plan on the basis the contract extension is confirmed.
- Two schools in Lot 1 also raised allergy safety as an issue requiring reassurance. . These concerns were investigated with the provider, with their allergy procedures reviewed and determined to be fit for purpose and robust. These procedures include student identification cards, specific individual separate menus and daily briefing sheets, which are reviewed during termly monitoring visits undertaken by the School Meals Team.
- Schools receiving provision as part of Lot 2 have indicated their preference in continuing with the existing provider and therefore because of the positive feedback received an extension is recommended.
- As a result of the consultation completed with schools, 41% of schools submitted this as their preferred option and this option is therefore being recommended.

6.3 A detailed analysis for a range of other options explored which are not recommended can be found at appendix D.

7. OPTIONS AND ANALYSIS OF OPTIONS

7.1 The merits and risks of the procurement options are detailed at Appendix D. It is proposed that the most appropriate option to meet the needs of schools is option 1 as set out above, whilst working collaboratively with schools to develop a new Schools Meals Strategy focusing on the wider priorities of food poverty and healthy eating.

8. CONSULTATION

8.1 The schools for both Lots have been engaged in a consultation exercise as part of the recommendations in this report and full details can be found at appendix E.

9. EQUALITY IMPLICATIONS

9.1 There are no direct negative equality implications for protected groups because of the proposed extension of these contracts and approval of payments as set out in the Recommendations, under the Equality Act 2010. It is anticipated that there will be a neutral impact on protected groups through the continued provision of school meals, which will ensure children and young people are provided a nutritionally balanced meal according to their dietary requirements with very few changes to the service.

9.2 Detailed Equalities Impact Assessments (EIAs) have previously been carried out and have been updated at regular intervals. An EIA from Q3 2015 has been considered for the purposes of this report and outlines the diverse ethnic, religious and economic backgrounds of school pupils as well as their needs from a survey of parents / carers.

9.3 The specification also includes consideration of food preparation and storage, provision of dietary requirements such as halal / non-halal meat and vegetarian options within menu choices.

Implications verified by: Fawad Bhatti, Social Inclusion Policy Manager, tel. 020 8753 2206.

10. LEGAL IMPLICATIONS

10.1 The legal analysis set out in section 14 (Procurement Implications) is correct.

Legal comments inserted by Hector Denfield, associate at Sharpe Pritchard, on secondment to the Council (hdenfield@sharpepritchard.co.uk)

11. FINANCIAL IMPLICATIONS

11.1 The financial implications are contained within exempt appendix B.

12. PENSIONS IMPLICATIONS

12.1 The pension implications are contained within exempt appendix B.

13. IMPLICATIONS FOR LOCAL BUSINESS

13.1 In order to support H&F specific businesses contractors were also asked to provide variant bid prices including a plate price per school to supply 5% of all fresh of food from H&F registered businesses. This element will be offered to schools as an alternative enhanced option when deciding whether to opt for the Gold or Silver Food for Life standard. The Contract Team will monitor the take-up of this option and encourage schools to buy locally where viable.

13.2 Social value considerations were evaluated at both the Framework stage and the 'call-off' stage. Specifically, bidders were asked how they would:

- Maximise local employment and training opportunities particularly in relation to apprentices and people with disabilities;
- Work alongside and/or support SMEs and local organisations, including their approach to local sourcing, and;
- Provide added value beyond the scope of the specification.

13.3 The winning contractors responded well in the original procurement to the request to demonstrate their commitment to social value within their tender. They have committed to providing apprenticeship and maximising local employment throughout the contract and to work with charities to train and develop the local community and provide cooking classes and a kitchen garden.

*Implications verified by Albena Karamero, Economic Development Team –
0207 938 8583*

14. COMMERCIAL IMPLICATIONS

14.1 The commercial implications are contained within exempt appendix B.

15. IT IMPLICATIONS

15.1 There are no IT implications resulting from the proposal in this report.

15.2 IM Implications: Privacy Impact Assessments should be completed for each contract to ensure all potential data protection risks resulting from this proposal are properly assessed with mitigating actions agreed and implemented.

15.3 The contracts should include H&F's data protection and processing schedule, which is compliant with the General Data Protection Regulation (GDPR).

Implications completed by: Karen Barry, Strategic Relationship Manager, tel: 020 8753 3481.

16. RISK MANAGEMENT

- 16.1 The Council has a statutory duty to ensure provision of free school meals under the Education Act 2003. Each governing body has a duty to provide free lunches for eligible pupils and to provide the opportunity for other pupils to buy lunch.
- 16.2 The recommendations are in line with the Council priority “Creating a compassionate Council” and propose extensions which are allowed within existing contracts to protect this vital service to children and young people attending schools within the borough. The extension period will be used to re-specify schools’ requirements and let new contracts from 2020/2021 and will enable officers to work collaboratively with schools to develop a new Schools Meals Strategy focusing on the wider priorities of food poverty and healthy eating.
- 16.3 Additional risk management implications are contained within exempt appendix A.

Implications verified/completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance on 0207 361 2389.

17. LIST OF APPENDICES

Exempt Appendix A

Exempt Appendix B

Open Appendix C

Open Appendix D

Open Appendix E