

OPEN APPENDIX C – OUTSTANDING FINANCE ISSUES

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

- 5.3 Nursery Top Up payments:** A commitment was made to four maintained nursery schools and one special school in the original procurement of an annual subsidiary payment in view of them being significantly financially disadvantaged following the original procurement. This report seeks to obtain governance approval to pay the historical amounts totalling £225,000 for the last three financial years and agree to funding for the remaining life of the contract for the four maintained nursery schools from Early Years Dedicated Schools Grant subject to Schools Forum approval and the schools medium term budget requirement. The contribution to the H&F special school will cease after 2018/19 and alternative funding sources agreed as part of a place funding review for the school.
- 5.4 Adult School Meals:** The Authority currently fund Adult School Meals whereby some teachers eat with the students in Lot 1 schools. This has historically been funded from Central Services Dedicated Schools Grant, however is outside of regulations with no capacity to fund from elsewhere. As detailed in the financial implications of the original Award Report dated March 2016, the School Meals contracts should be a cost neutral service to the Authority. It is therefore proposed to provide funding for the 19/20 financial year only and to serve notice to schools that funding will cease from there on.
- 5.5 LGPS Pensions:** The Local Government Pension Scheme (LGPS) employers contribution rate as calculated by the Actuary (Barnett Waddingham) for Interserve PLC is currently 23.7% and 23.9% for Cater Link Ltd. This rate was in place until 1st April 2019 where upon it will increase to 25.4% for Interserve and 25.8% for Cater Link Ltd. This rate will remain in place until 1st April 2020 when the triennial valuation of the fund will be carried out, at this point all employers' rates will be subject to change. The contractual arrangement specifies that the 'Initial Authority Contribution Rate' shall be 21.9% and that where contributions exceed this then the amount which exceeds the Initial Employer Contribution Rate shall be added as an adjustment to the amount due to the Contractor for each month during the period. No governance approval is in place for who is liable for these additional charges, however as the contract should be cost neutral to the Authority, this report seeks to put in place approval for these charges to be passed to the relevant schools.

OPEN APPENDIX D – ANALYSIS OF OPTIONS

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 food poverty and healthy eating.
- Some Lot 1 schools raised concerns throughout the consultation process. These included transparency of cost, quality of meals, portion size, contract management and health and safety issues (specifically allergy scares). 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. It is proposed that the concerns raised by Lot 1 schools be addressed as part of a Service Improvement Plan once the contract extension is confirmed.
- 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.

OPTION 2: Extend the Lot 2 contract for the maximum of 2 years and issue a short-term extension of up to 12 months for Lot 1 to provide sufficient time to run a mini-competition through a Framework Agreement to select a new provider (H&F or ESPO Frameworks).

- There are currently two potential frameworks that could be used to conduct a mini competition through a Framework Agreement to select a new provider. This includes the H&F Lot 1 Framework (5 providers) or the ESPO Framework (25 providers). There are a number of advantages and challenges with this option:

Advantages include:

- Cater Link Ltd , the alternative Lot 1 provider are on the H&F School Meals and ESPO Frameworks.
- The Framework Agreement enables the Authority to conduct a direct award to an alternative provider on this framework either through mini-competition or without reopening competition pursuant to paragraphs 1(d) and 3 in the Framework Agreement.

- This option may bring resolution to longstanding issues affecting a proportion of the school surrounding provider performance.

Challenges include:

- Challenging timescales to develop the existing service specification with significant resourcing requirements. This poses a risk that concerns regarding service quality may transfer to an alternative provider.
- It is highly likely that there will be an increase in costs as a result of any change to an alternative provider.
- The H&F Framework ends in September 2019 so any direct award from this framework must be completed in advance of this.
- As a result of the consultation held with schools 31% of schools submitted this as their chosen option. The vast majority opted for option 1 being a longer-term extension, therefore option 2 is not being recommended.

OPTION 3: A collection of Lot 1 schools had engaged with a separate organisation and considered commissioning this organisation to undertake a procurement exercise on their behalf. With this option an extension to the Lot 2 contract for 2 years would remain.

- Around 7 of the 34 schools had engaged with this process, and if they were to progress this option those schools would not form part of the H&F contract arrangements.
- Schools undertaking this option may have incurred higher costs as a result of the reduced economy of scale.
- Officers would also be required to provide support during the transition to a new provider which would hold a large resource requirement.
- Eighteen percent (24%) of schools have advised that they will be making their own independent arrangements. These 7 schools will leave the contract at various stages to enable them to effectively plan their transition.

OPTION 4: Issue a direct award to Cater Link Ltd for Lot 1 services for a period of up to 2 years and extend Lot 2 services with Cater Link Ltd for 2 years.

- Under the framework agreement, the Council may make a direct award to any provider (not just the “most economically advantageous” provider) by following the “without re-opening competition” process pursuant to paragraphs 1(d) and 3 of the Framework Agreement. The Council can therefore award a contract to Cater Link Ltd based on the prices they originally submitted when they applied to be on the framework. The Council would not need to run a mini-competition.
- Whilst this option would mitigate the risk of provider failure there will be an increase in costs of approximately 11% across Lot 1 with some schools being significantly adversely affected.
- The risk of letting the current Interserve contract expire naturally and then awarding a new contract to Cater Link Ltd under the framework through the process above is the usual risk posed by any change of provider for any service. There may be potential issues with mobilisation of the new provider, and there

may be mobilisation costs (both financial and in officer time) that the Council must bear.

- This option was presented to all schools with only one school submitting this as their preferred option and for this reason this option is not recommended.

OPEN APPENDIX E – CONSULTATION

- 8.1 The schools for both Lots were sent an initial consultation questionnaire in November 2018 to receive feedback on the services, the following tables summarise the outcomes of this initial consultation:

Lot 1 – 20 Responses Received	
Options	Number of Schools
Procure	15
Extend or Procure	2
Extend	2
Leave Contract	2

Lot 2 – 5 Responses Received	
Options	Number of Schools
Procure	0
Extend or Procure	0
Extend	5
Leave Contract	0

- 8.2 Following on from the above, further detailed consultation sessions were held with schools for both Lots 1 and Lot 2 as detailed in section 4 of this report. Additional options were also then explored and discussed with schools. Lot 1 schools hold North and South cluster meetings for Headteachers and Officers have attended these meetings to discuss concerns and options moving forward. A presentation was subsequently provided to Headteachers outlining the proposed options detailed in this report and presented to the cluster group meetings on the 1 March 2019.
- 8.3 A further Contract Board meeting was held with the provider for Lot 1 Headteachers and School Business Managers on 12 March 2019. The purpose of this meeting was to discuss highlights, areas for improvement and ways of working moving forward. Feedback arising from this session is subsequently being developed as part of the Service Improvement Plan. A Contract Board meeting was also held with Lot 2 School Business Managers where they expressed their wish to extend the contract following consistently good performance across the service.
- 8.4 In accordance with the Access Agreement formal notice of the intention to extend contracts was issued to schools on the 6 March 2019, three months prior to the expiry date of the contract. Schools were given 20 working days to determine their option and respond to the consultation. The responses to the options outlined at sections 6.2 onwards were as follows:

Lot 1	
Option 1	12

Option 2	9
Option 3	7
Option 4	1
No response	5
Total	34

Lot 2	
Option 1	4
Option 2	0
Option 3	0
Option 4	0
No response	1
Total	5