



Executive
12th February 2007

**Report from the Director of
Housing and Community Care**

For Action

Wards Affected:
ALL

Authority to invite tenders for Meals Service Contract

Forward Plan Ref: H&CC-0607-27

1.0 Summary

- 1.1 This report concerns the future provision of a meals service using the cook on route method which differs from the traditional system of central production and delivery in insulated containers in that individual choices of meals are loaded frozen into specialist vehicles and reheated during the delivery journey. This report requests approval to invite tenders in respect of the provision of such a Meals Service as required by Contract Standing Orders 88 and 89.

2.0 Recommendations

- 2.1 The Executive to approve the tendering of a contract for a cook on route Meal Service.
- 2.2 The Executive to give approval to the pre - tender considerations at paragraph 3.10 of the report and the criteria to be used to evaluate tenders as set out in Appendix 1 of the report.
- 2.3 The Executive to give approval to officers to invite tenders and evaluate them in accordance with the approved evaluation criteria referred to in 2.1 above.
- 2.4 The Executive to approve contract extensions for five food supply contracts referred to in paragraph 3.12 for 31 weeks at a total value of approximately £220,000 so that these expire at the same time that the new contract is proposed to commence.

3.0 Detail

3.1 This report proposes changes and efficiency savings for the 'meals on wheels' service and provision of meals for luncheon clubs and day centres. This builds on recommendations from the best value report concerning the need to make the service more effective. It proposes moving from hot regenerated food service prepared on site, to a 'cook on route' method of regenerating meals on route, using specially designed vehicles with ovens, which will enhance the quality of the meals, and be capable of offering customers a wider choice of menu items.

3.2 Current Service

Currently, the Council's in-house Catering Service within Older People Services regenerates (reheats) frozen meals, from a central food production unit based at Wykeham Primary School in Neasden, NW10. The hot meals are packed in electrically heated boxes, and are delivered by Brent Transport Services. The delivery element is the greater cost of the service. Meals are delivered through 14 routes Monday to Friday and 7 routes at weekends. This method of production has been used for over 20 years and is now less cost effective, and only offers a restricted choice for service users.

3.3 The types of meals delivered are Standard (English), Asian Halal, Asian Vegetarian, Caribbean and Kosher. Meals are provided to house-bound service users, day centres and Luncheon Clubs. The current trend in producing and delivering welfare meals has moved from the system described above to a 'cook on route' method which offers greater choice of food for users, hotter meals at the point of delivery, improved nutritional value of food delivered along with more efficient use of resources.

3.4 The meals service currently produces 151,000 meals per year to all categories of service user.

3.5 Proposals for New Service

It is proposed to move to a cook-on-route service for the following reasons:

3.6 Benefits to Service Users of Cook-on-Route

- **Wider choice of meals availability:**

Due to the enhanced process of meals picking and packing systems, service users can choose from a wide choice of up to 35 main meals, including vegetarian, along with a wider selection of deserts. The range of meals will continue to cater for the cultural requirements of all our existing service users, and will be able to offer the opportunity to meet demand for other cultural meals such as: Polish, Chinese, and Somalian meals. This is in line with Department of Health's "Our Health, Our Care, Our Say" which directs services to provide more choice for users.

- **Meals delivered hotter**

As the cook-on route model regenerates the food on route to the service user in the vehicles and does not rely on electrically pre-heated insulated hot-boxes, which lose heat on route, the food is maintained at an optimum

temperature above the danger zone of 63°C. This results in the service users receiving hotter food.

- **Enhanced nutritional values**

Nutritional values of the meals are enhanced, as the food can be cooked in the vehicles in batches, ensuring the last meal delivered is as good as the first meal delivered on route.

- **Improved appearance of the food**

The food's texture and colour is improved, as the regeneration process is reduced, as meals are heated on route in the vehicles. This reduces the time the food is hot-held thus improving the qualities of the food appearance.

3.7 **Cost and ease of contracting**

As set out in the Financial Implications section below, the cook-on-route service will deliver cost savings for the Council. The contracting process is also simplified, as Brent will no longer need its own supply contracts with meal suppliers – instead the service provider will have its own sub-contracts with suppliers.

3.8 **Pilot Trials of Cook-on-Route**

During the period of September and October 2006, a pilot was conducted over a period of 2 weeks, with two leading suppliers in the cook-on-route field. Around 100 service users were surveyed, using supplier A and B. Overall there were no detrimental failures over this period, and the meals arrived hotter, with a slight improved service on the delivery. The choice menu system was not tested at this stage.

3.9 **Alternative Options considered**

The option of restructuring the current service so that the Council delivered a cook-on-route service itself was considered. However it was assessed as not feasible because of the cost of the investment in specialist vehicles required, the lack of suitable premises for the storage meals and despatch area for vehicles and the level of expertise and experience available.

3.10 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below for the approval of the Executive.

Ref.	Requirement	Response
(i)	The nature of the service.	Provision of a range of delivered hot meals to meet cultural, nutritional and individual choice requirements for residents in the borough who meet the critical and substantial Fair Access to Care Services and have no access to a meal at lunchtime.
(ii)	The estimated value.	£860,000 in the first year, £6.5m over the period of the contract including any extensions provided for under the contracts.

(iii)	The contract term.	5 years with an extension of up to two further years (a long contract term is necessary because the successful tenderer needs to invest in the specialist vehicles at the start of the contract).	
(iv)	The tender procedure to be adopted.	This is a Part B Service and therefore full EU requirements need not be followed. A Single stage, open procedure will be used as there are limited suppliers in this field.	
(v)	The procurement timetable.	<p>Indicative dates are:</p> <p>Adverts placed</p> <p>Deadline for tender submissions</p> <p>Panel evaluation using Stage 1 criteria (see appendix 1) and shortlist for site visit/food sample /interview</p> <p>Interviews, user panels, evaluation using Stage 2 criteria (see Appendix 1) and contract decision</p> <p>Report recommending Contract award circulated internally</p> <p>Executive approval</p> <p>Contract start date</p>	<p>1 March 2007</p> <p>12 April 2007</p> <p>25 April 2007</p> <p>By 17 May 2007</p> <p>21 May 2007</p> <p>11 June 2007</p> <p>1 October 2007</p>
(vi)	The evaluation criteria and process.	Tenders will be initially evaluated on the Stage 1 criteria (see appendix 1) to establish that they meet the Council's financial standing requirements, and certain aspects of service delivery. Those tenders that pass Stage 1 will be evaluated by the criteria set out in the Stage 2 Evaluation Matrix attached at Appendix 1.	
(vii)	Any business risks associated with entering the contract.	No specific business risks are considered to be associated with entering into the proposed contract. Financial Services and Legal Services have been consulted concerning this contract.	
(viii)	The Council's Best Value duties.	Tenderers will be asked for proposals about securing increasing efficiency	

(ix)	Any staffing implications, including TUPE and pensions.	See section 5 below
(x)	The relevant financial, legal and other considerations.	See sections 4 and 6 respectively below

3.11 The Executive is asked to give its approval to these proposals as set out in the recommendations and in accordance with Standing Order 88.

3.12 The meals for the current service are supplied under five contracts from four different manufacturers as follows:

- Standard (English) Meals Apetito
- Asian Vegetarian Mrs Gill's Kitchen
- Asian Halal Mrs Gill's Kitchen
- Kosher Hermolis
- Caribbean Blue Mountain

These contracts are due to expire on 24 February 2007 and in order to ensure that the service continues until the proposed date of the cook on route contract implementation it is proposed they be extended for 31 weeks to until 30 September 2007. The estimated total value of the meals to be purchased over this period is £220,000. These contracts are covered by the EU Public Procurement Rules and arguably should be retendered and not extended (see further at the Legal Implications section below).

However there are best value grounds for extending these contracts without re-tendering. By the time that a new tender exercise is completed, even using the fastest possible process under the Regulations, it would only be possible to award a very short contract of around 18 weeks. The original tender exercise for these contracts was very lengthy and difficult and there were three successive adverts required in order to award all of the contracts to suppliers meeting the Council's and Users' requirements. There is no evidence that the meals supply market has changed significantly since the original adverts were placed such that new providers would be available to tender. The risk of challenge to any extension is low.

4.0 Financial Implications

4.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval to invite tenders and in respect of other matters identified in Standing Order 89.

4.2 The estimated value of this services contract is £6.5m over the seven years

4.3 It is anticipated that the cost of this contract will be funded from existing resources.

4.4 **The Details of the Financial Implications are as follows:**

- 4.5 The Meals Service currently provides 151,000 meals each year and has an annual budget of £ 1.18m.
- 4.6 The current cost of a meal delivered to a service user is £8.66 gross (this includes all the costs incurred in producing and delivering a meal to a client): However it should be noted, that during the last three years the number of meals produced has fallen substantially from 262,000 in 2003 to 151,000 in 2006, this reduction has driven the unit cost up as production, delivery and staffing costs are spread across fewer meal numbers.
- 4.7 The Council sets an annual User charge for a meal, for 2006/07 the Executive agreed a charge of £3.00 per meal. It is anticipated that this charge will rise by 5% to £3.15 per meal. This new charge is contained within the annual Fees and Charges Report for 2007/08 to be considered by the Executive in February 2007.
- 4.8 Initial market testing and discussions with other Local Authorities running similar Cook on Route Services has indicated that an estimated cost of meal delivered: could be as low as £5.47 per meal gross. Changing to a Cook on Route Service would deliver a better quality service at a substantially reduced unit cost.
- 4.9 It is anticipated that based on a contract cost per meal of £5.47 that a full year saving of £481k would be achievable in 2008/09. The potential savings for 2007/2008 are £165k projected over a six month period and are reduced by the cost of staff redundancies estimated to be in the region of £75k.
- 4.10 Officers will be exploring and setting up a process to encourage service users to purchase their meals using a direct payment. This would enable them to have an even greater choice of where their meals are supplied from.
- 4.11 **Financial Impact on Brent Transport Services**
Older People Service have a service agreement with Brent Transport Service to deliver meals. The current value of this arrangement is £302,000 per annum.

There is likely to be a substantial financial impact on Brent Transport Services in implementing this change in service provision. They have commented on this report and indicate that their maximum loss would be £200,000 as they would be unable to reduce their staffing costs as a result of the loss of meals delivery in the middle of the day because they currently employ staff and agency workers all day and they would still need to be paid for the down time. Further investigations need to be undertaken on this impact and the longer term arrangements for funding Brent Transport Services together with a review of their processes.

5.0 **Staffing/Accommodation Implications**

- 5.1 This service is currently provided by staff employed by the Council and as the tender is most likely to be won by an external contractor the level and type of

skills required is much reduced. The cook-on-route process mainly relies on staff carrying out picking and packing duties in a walk-in freezer, sometimes located in industrial estates, or remote areas, where the vehicles can be parked and loaded on a daily basis for dispatch and delivery.

The cook-on route model process results in a more cost effective use of labour, as it is driven more on new technology in the form of computer software systems, to enable the choice of menu items to be widened to service users, and to generate route-sheets for the delivery staff. The vehicles can be programmed with differential cooking times before the delivery process starts, for example. The emphasis is therefore shifted from being very labour intensive, as with the current system of regenerating meals in a central food production unit, in large ovens and then packing the food in electrically heated boxes, to be collected by Brent Transport Services staff, who will deliver to service users throughout the Borough. Cook-on-route is less labour intensive.

5.2 **Current Staff that will be affected by the changes:**

There are currently 9 staff working in the production kitchen these posts are identified below:-

1 x Kitchen Supervisor Scale S01. 36hrs.
1 x Assistant Kitchen Supervisor Scale 5. 35hrs.
3x General Kitchen Assistant. 32.5hrs
1 x General Kitchen Assistant. 30hrs.
2 x General Kitchen Assistant. 35hrs.
1 x General Kitchen Assistant 27.5hrs

There are currently 4.5 posts in the Management and Support Team based in the Meals Service Office based at East Lane Business Park, 3.5 posts will be retained, one full time administrative assistant scale 4 post will be deleted.

5.2.1 The new cook-on-route operation will require a high level of contract monitoring; this will ensure that the contract specifications will be strictly met, and that service users will continue to receive a high level of quality service. To enable this to happen, the contract monitoring team will comprise of the following staffing levels: The costs of these staff are contained within the anticipated new unit costs for the Cook on Route Service.

- 1x Contract Manager,
- 1x Monitoring Officer,
- 1x Meals Administration Officer (full time).
- 1x Administration Assistant (part time).

This structure is being used within other local authorities who have adopted the cook-on-route process.

5.2.2 Brent Transport Services deliver the meals. The transport is staffed with one driver and one escort some of whom are Council staff and some are agency staff. BTS advise that 34 staff could be affected spending approximately 29% of their working time on Meals related activities.

5.3 **Accommodation**

The current premises used for regenerating meals at Wykeham Primary School are rented from the Education Service and would be returned to them. The kitchen could be utilised as a production unit or the equipment removed and sold on.

The Meals Service offices at East Lane Business Park are sub-let from Brent Transport Services and would be handed back to them with the remaining staff accommodated at Mahatma Gandhi House.

6.0 **Legal Implications**

6.1 The power to provide welfare services for the elderly is set out generally in section 45 of the Health Services and Public Health Act 1968 and the Secretary of State when issuing direction under this provision gives discretion to local authorities to provide meals in the home. It should also be noted that for an elderly person who is also disabled, the Council may also be under a duty to provide them with a meal if this is necessary to meet his or her needs (section 2 of the Chronically Sick and Disabled Persons Act 1970).

6.2 Meal production and delivery services are Part B services under the Public Contracts, so despite the high value of the contract there is no requirement for it to be tendered in accordance with the full EU tendering regime. However as it is a High Value contract (exceeding £500,000) Executive approval is required to approve the tender of the service and other various pre-tender considerations (Standing Orders 88 and 89).

6.3 Once the tendering process is undertaken Officers will report back to the Executive in accordance with Contract Standing Orders, explaining the process undertaken in tendering the contracts and recommending award (SO 88).

6.4 As with all tender processes there is a general obligation to ensure the following of a transparent process that is fair to all tenderers and Members need to be satisfied of this in agreeing to the recommendations.

6.5 Legal Services will be advising the procurement team throughout the procurement process.

6.6 It is likely that if the tender is won by an external contractor that the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") will apply so as to transfer the contracts of employment of staff currently assigned to the service to the successful tenderer. Currently assigned staff would include the 9 staff working in the production kitchen. If the current allocation of meals related activities in Brent Transport Services is maintained then there may need to be redundancies as an individual spending only 29% of their time on meals related activities would not be considered as assigned to the service and therefore would not transfer under TUPE. Under TUPE the Council will have obligations to inform and consult the relevant trade unions representing any employees affected by the transfer and to give prior to the transfer certain information about transferring employees to the new employer. The officers conducting the tender process will need to have regard to the Best Value

guidance issued by the Government called the "Code of Practice on Workforce Matters in Local authority Service Contracts" and decide which if any parts of that guidance are likely to achieve Best Value and therefore should be applied in the tendering process. Existing Council policy concerning the protection of accrued and future pension rights of Council employees transferring to a private employer, as agreed by the General Purposes Committee on 27th April 2004, will need to be followed in the tendering process.

- 6.7 As indicated in paragraph 3.12, the Executive is also being asked to extend the existing food supply contracts that are an element of the current service delivery arrangement. These contracts are supply contracts under the European public procurement rules. These contracts have already been extended once according to an extension right indicated in the original European contract notice. Under European public procurement law, any further contract extension (going beyond what was in the notice) are usually treated as new contracts, although this is not clear cut and there is little case law in this area. As the value of these extensions when aggregated is £220,000 this is above the threshold for tendering and so the rules seem to require that they are tendered. Having said that, by the time that a tender process is followed through, even using the shortest permissible process under the Regulations, it would only be possible to award contracts for around 18 weeks and this would bring the contract value below the European tendering process in any event. As indicated in paragraph 3.12, it is considered that best value can be better delivered by extending the contracts even though it is possible that this may not be in compliance with the rules. The main risk of following this course of action would be a challenge by a supplier in the market that it had a chance of winning a short-term contract. However as already indicated the risk of this is low as the law is not clear-cut, and the market is limited - some of the main suppliers in the market are those that will benefit from this course of action. Where there is a possible breach of the European rules, the Director cannot take the decision to extend and Executive decision is required.

7.0 Diversity Implications

- 7.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications. The current range of cultural meals offered will be maintained and extended and a choice of meals for all service users will be introduced.

8.0 Background Information

- 8.1 Meals Services Procurement File
- 8.2 Records of the pilot service

Contact Officer(s)

Ros Howard, Head of Older People Services

Charles Wattleby, Section Manager (Meals Services), Older People Services

Jayne Spencer, Section Manager(Contracts), Older People Services

Martin Cheeseman

Director of Housing & Community Care

Appendix 1

DRAFT Tender Evaluation Grid

PROCUREMENT OF MEALS SERVICE APRIL 2007 – TENDER EVALUATION MATRIX STAGE 2

Stage 2	Contractor 1			Contractor 2			Contractor 3			Contractor 4			Contractor 5			Benchmark Min Acceptable Scores		
	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total
Food Hygiene Practices (site visit)	20			20			20			20			20			20	4	80
Application of H&S (site visit)	20			20			20			20			20			20	4	80
Quality Control	15			15			15			15			15			15	4	60
Experience (paper submission and References)	20			20			20			20			20			20	4	80
Quality Management System (the quality manual in practice)	10			10			10			10			10			10	4	40
Complaints Procedure/Handling	5			5			5			5			5			5	4	20
Staff Management	10			10			10			10			10			10	4	40
Quality of Meals (practical demonstration)	20			20			20			20			20			20	4	80
Range of Meals	15			15			15			15			15			15	4	60
User acceptability (Assessed by a User Panel)	40			40			40			40			40			40	4	160
Food Suppliers	10			10			10			10			10			10	4	40
Sub-contracting Arrangements	5			5			5			5			5			5	4	20
Packaging of Meals (practical demonstration / user panel)	15			15			15			15			15			15	4	60
Portion Sizes	20			20			20			20			20			20	4	80
Nutritional Content (practical demonstration)	20			20			20			20			20			20	4	80
Delivery Systems (site visit)	15			15			15			15			15			15	4	60
Vehicles	15			15			15			15			15			15	4	60
Environmental Policy	10			10			10			10			10			10	4	40
Equalities/Recruitment	10			10			10			10			10			10	4	40
Business Continuity	5			5			5			5			5			5	4	20
Price	20			20			20			20			20			20	4	80
Best Value (proposals for increasing efficiency over contract term)	5			5			5			5			5			5	4	20
																		1300

Weight =weighting, the relative significance of the element
 Score =score on a 1- 6 scale as indicated
 Total =weighting multiplied by score

Key to Scores

- 0 Does not meet Council's requirements
- 1-2 Partly meets the Council's requirements
- 2-3 Mainly meets the Council's requirements
- 4 Meets the Council's requirements
- 5-6 Exceeds the Council's requirements

Panel Members: