

	<p style="text-align: center;">Executive 16th June 2008</p> <p style="text-align: center;">Report from the Director of Children and Families</p>
<p style="text-align: right;">Wards Affected: Kenton</p>	
<p style="text-align: center;">Authority to award contract for the procurement of catering services for Claremont High School</p>	

Forward Plan Ref: C&F-08/09-007

Appendix 2B is not for publication.

1.0 Summary

- 1.1 The report requests authority to award a contract for the provision of catering services for Claremont High School, as required by Contract Standing Order No 88. This report summarises the process undertaken in tendering this contract and, following the completion of the evaluation of the tenders, recommends to whom the contract should be awarded.

2.0 Recommendations

- 2.1 That the Executive awards a three year catering services contract, with an option to extend the initial contract period by any number of periods up to a further two years in aggregate, to ISS Mediclean Ltd (trading as ISS Caterhouse Limited), to commence on 4 August 2008.

3.0 Detail

Background

- 3.1 ISS Caterhouse Limited currently provides catering services for Claremont High School. The contract with this company is due to expire on 3 August 2008.
- 3.2 The contract does not include for the provision of the service arrangements beyond the expiry date. Alternative catering services must therefore be in place to ensure that statutory and stakeholder requirements are satisfied – in particular the law requires local authorities to make arrangements for free school meals for eligible pupils, and to provide access to a paid meal service that meet nutritional standards.
- 3.3 The existing catering services provision at the school has been self financing in that sales revenue has covered related expenditure. There is no history of any subsidy payment from the school to the catering services provider being necessary to support the service; the current contractor has never sought a subsidy payment from the school.

The tender process

- 3.4 The new catering services contract is proposed to be let for a period of 3 years commencing on 4 August 2008 with an option for the school to extend the initial contract period by any number of periods up to a further two years in aggregate.
- 3.5 The new catering services contract has been procured using the two-stage/restricted tendering procedure. As noted in the report to the Executive of 11 February 2008, the school had to comply with the Council's Contract Standing Orders, Financial Regulations and some provisions of the EU Public Procurement Regulations (where applicable).

Stage One – Pre-Qualifying Stage

- 3.6 The process started in November 2007 with the placement of advertisements in the Wembley Observer and the Caterer and Hotel Keeper, inviting expressions of interest from suitably qualified organisations.
 - 3.7 Twenty three organisations expressed interest in the contract. They were issued with a pre-qualification questionnaire (PQQ) to complete and return by noon 21 December 2007. Sixteen PQQs were returned.
 - 3.8 As reported to the Executive in February this year, due to an error in the initial calculation of the estimated contract value Executive approval was not sought before the procurement process started. However the Executive's approval of the continuation of the process was sought and obtained on 11 February 2008. The procurement process was suspended until the Executive's authority to tender was obtained.
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3.9 Following the Executive granting approval to proceed, the procurement process was consequently re-commenced and the PQQs were evaluated.

3.10 The factors that were considered in compiling a short-list were:

- contract and administrative information ;
- business probity;
- economic and financial standing; and
- technical or professional capacity including:
 - (related) business activity;
 - organisational resources;
 - quality assurance;
 - Health and Safety;
 - environment and sustainability; and
 - previous experience and references.

3.11 Ten contractors were short-listed and invited to tender on 6 March 2008.

Stage Two – Invitation to Tender

3.12 A tender pack was issued to the ten contractors invited to tender. The tendering instructions stated that the contract would be awarded on the basis of the most economically advantageous offer to the Council and that in evaluating tenders, the Council would have regard to the following factors (relative weighting in brackets):

- Price and affordability (60%);
- Ability to meet the requirements of the specification (5%);
- Sustainability (5%);
- Technical competence (capability) to provide services (10%);
- Ability to ensure smooth and seamless implementation (5%);
- Deployment of transparent, user-friendly accounting and invoicing procedures (10%); and
- The extent to which proposed menus and tariffs reflected value-for-money and encouraged healthy eating (5%).

3.13 During the tender period the tenderers were allowed access to the school so that they could see the school's catering facilities and assets.

Evaluation process

3.14 The tender evaluation was carried out by a panel of officers from the Council and the School, as well as a school-appointed consultant.

3.15 All tenders had to be submitted no later than noon 25 April 2008. Tenders were opened on 28 April and three valid tenders were received from Pabulum Limited, Cater Link Limited and ISS Mediclean

Limited (trading as ISS Caterhouse Limited). Copies of the tender submissions were distributed to each member of the evaluation panel (please see the tender evaluation grid at Appendix 1). Each member of the panel read the tenders using evaluation sheets to note down their comments on how well each of the award criteria was addressed.

- 3.16 The panel met on 7 May 2008 and each submission was marked by the whole panel against the award criteria.
- 3.17 The scores received by the tenderers are included in Appendix 2A (non-price criteria) and Appendix 2B (price and affordability criteria).
- 3.18 It was found that all tenderers were generally very closely matched in terms of their response to non-price criteria, with ISS Caterhouse Limited, overall, performing best. There was however a significant difference between them in terms of price, again with ISS Caterhouse Limited markedly out-performing the other tenderers. This can be seen from the following table:

Summary Tender evaluation table			
	Price score (60%)	Non-price score (40%)	Total score
Pabulum	327.50	227.50	555
Cater Link	272.50	242.50	515
ISS Caterhouse	446.25	245	691.25

- 3.19 In response to the service specification requirements, each tenderer agreed to pay the school £3,000 per year for catering facilities' repairs and maintenance work and offered to provide loans to finance capital expenditure improvements undertaken by the school to its catering facilities and assets (amounts and terms varying between the tenderers).
- 3.19.1 However only ISS Caterhouse Limited confirmed the viability of the catering services as being self financing from start up – it did not require a subsidy payment from the school, in addition to the main income received from the sale of meals to students. It proposed to pay back £3,000 annually to the school from income generated from the catering service operations (equivalent to £9,000 over the initial three year contract period and, £15,000 if the contract is extended for the maximum 5 year term).
- 3.19.2 Cater Link Limited did not consider the service to be self financing because the required pricing structures it envisaged would be untenable, as students would find them unaffordable. Instead it

required a subsidy to be paid by the school indefinitely throughout the contract period. Cater Link Limited proposed that the tendered annual volume-related subsidy of £17,299 (based on 2,500 weekly meal transactions) would be reduced by £5,000 if existing meal prices were increased by 5%.

3.19.3 Although Pabulum Limited considered that an annual subsidy would be required of £6,656 a year (based on 2,500 weekly meal transactions), it considered that no subsidy would be required if weekly meal sales increased to more than 3,500.

3.20 In light of the fact that the school does not wish to pay the new contractor a subsidy or increase the meal prices payable by students and/or staff at this time, and as ISS Caterhouse Limited scored the highest in the tender evaluation, ISS Caterhouse Limited is considered to have submitted the most economically advantageous tender.

3.21 The Executive is asked to award the contract for the provision of catering services to ISS Caterhouse Limited. As noted above, the contract will commence on 4 August 2008, which will ensure that the catering service continues and is in place at the start of the 2008/9 Autumn term.

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 of the award of the contract.

4.2 The estimated value of this services contract, calculated over the maximum 5 year contract period is £767,790, and £460,674 over a 3 year period (based on the school's historic transaction volumes and values).

4.3 As noted previously the preferred contractor, ISS Caterhouse Limited, is offering a viable business case that requires no subsidy payment from the school separate from the main income the contractor receives from the student for meals. Instead ISS Caterhouse Limited proposes to pay the school a share of the profits generated by the catering service operation of between £9 -15,000 over the contract period. This profit sharing arrangement is in addition to ISS Caterhouse Limited's annual contribution of £3,000 to the school's catering facilities' repairs and maintenance work fund and provision of an interest free loan to finance possible improvements to the school's catering facilities.

4.4 The cost of the contract, including the subsidy payments, will be funded from school funds and revenue generated from catering service sales. Under the Financing of Maintained Schools Regulations 2007 catering is a fully delegated function. This means that the funding and

responsibility for providing this service is delegated to a school's governing body, with the funding being included within the school's delegated budget share.

- 4.5 A representative of Brent Financial Services supported the evaluation panel and process.

5.0 Legal Implications

Statutory Requirements: Catering Services

- 5.1 Local authorities have a statutory requirement to make arrangements for free school meals for eligible pupils, to provide facilities for eating lunch, to provide access to a paid meal service, if requested, and to ensure that meals provided meet nutritional standards , particularly the Nutrient Standards from 2009.
- 5.2 Failure to award the contract to the recommended contractor will result in the School having no catering services in place at the start of the September 2008/9 term for its pupils. Consequently the School will be in breach of its statutory obligations to provide such services.

Procurement Requirements

- 5.3 The estimated value of this contract over its lifetime was higher than the EU threshold for Services contract and the nature of these services means that the contract is classified as a Part B services contract by the Public Contracts Regulations 2006 ("the EU Regulations"). The tendering of the services is therefore subject to the partial application of the EU Regulations, in particular the overriding EU principles of treatment, fairness and transparency in the award process. The award is also subject to the Council's own Standing Orders and Financial Regulations in respect of High Value Contracts apply by virtue of the Financial Information for Schools under Devolved Funding booklet.
 - 5.4 As noted in the report to the Executive of 11 February 2008, Claremont High School inadvertently did not comply with the Council's Contract Standing Orders and Financial Regulations by commencing the procurement exercise without first seeking Executive approval. However the Executive agreed to the evaluation criteria and authorised the school to continue with the procurement exercise. It was noted that the Executive would receive a further report recommending award of the contract would be submitted by the school in due course.
 - 5.5 Following Executive approval on 11 February 2008, the school has complied with all relevant Council Contract Standing Orders and Financial Regulations.
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- 5.6 The contract will be awarded by Claremont High School therefore creating a contract between ISS Caterhouse Limited (the preferred tenderer) and the school; the Council will not have a contractual relationship with ISS Caterhouse Limited or involvement in the contract.

6.0 Diversity Implications

- 6.1 Claremont High School is a diverse community. The diversity implications of the new contract are addressed by the service specification.
- 6.2 The new contractor will be required to provide catering services which are culturally sensitive to the diverse needs of the existing and prospective customers, and has been provided with information about the requirements of the main ethnic and religious groups.

The School will assist the new Contractor in meeting these requirements by providing up-to-date details of ethnic, religious or special need requirements, as and when required. Special catering will be provided for a wide variety of common festivals and celebrations throughout the calendar which may, for example, include Epiphany, Rastafarian New Year, Jewish New Year, Holi, Mothering Sunday, Easter, Eid, Diwali, Hanukkah, and Christmas.

7.0 Staffing and Accommodation Implications

- 7.1 This service is currently provided by an external contractor employed by the Governing Body of Claremont High School. There are no implications for the Governing Body or Council Staff arising from awarding a new contract.
- 7.2 As officers are recommending the award of contract to the current catering services contractor, the application of the Transfer of Undertakings (Protection of Employment) Regulations 2006 will not be an issue.
- 7.3 There are no accommodation implications arising from this report.

8.0 Background Papers

- Executive Report 11 February 2008: "Authority to award contract for the procurement of catering services for Claremont High School".
- Council's Invitation to Tender.

Contact Officer

Chris Keady, Procurement and Risk Management Consultant, Finance and Corporate Services, Town Hall Annexe, Forty Lane, Wembley HA9 9HD.
Tel: 020 8937 1160.

Fax: 020 8937 1179

Email: chris.keady@brent.gov.uk

Rose Hegan, Deputy Head Teacher, Claremont High School, Claremont Avenue, Kenton, Harrow HA3 OUH.

Tel: 0870 350 0093

Fax: 020 8204 3548

Email: rose.hegan@claremont-high.org.uk

John Christie

Director of Children and Families

Appendix 1 – Tender evaluation sheet

Criterion (5.2 & 7.1 – instruction to tenderers)	Weighting (%)	Contractor			Comments
Price and affordability (7.1 [C] (1) – Demonstrate how they can provide a value-for-money service	60				Pricing schedule primary source – operational evidence/efficiency, access to sourcing economies of scale etc
Ability to meet the requirements of the specification - 7.1 [C] (2)	5				
Sustainability - 7.1 [C] (3) – can meet the contracts sustainability objectives	5				Objectives listed in specification
Technical competence to provide the services - 7.1 [C] (4)	10				Services (associated service provision, including past experience, staff experience and customer references)
Ability to ensure smooth and seamless implementation - 7.1 [C] (5)	5				See implementation plans. Consider experience of managing transitions etc
Can deploy transparent, user-friendly accounting and invoicing procedures supporting delivery of the services - 7.1 [C] (6)	10				
The extent to which proposed menus and tariffs reflect value-for-money and encourage healthy eating - 7.1 [C] (7)	5				

Appendix 2A: Tender Evaluation – Claremont High School

Quality Analysis – Master Score Sheet - Maximum Weighted Score 40% (400)

Ref	Evaluation criteria	Pabulum Score 0 - 10	Cater Link Score 0 - 10	Caterhouse Score 0 - 10	Weighting	Pabulum weighted score	Cater Link weighted score	Caterhouse weighted score	Comments
1	Ability to meet the requirements of the specification.	6.5	7.5	7.5	5	32.5	37.5	37.5	
2	Sustainability	6.5	7.5	7	5	32.5	37.5	35	
3	Technical competence to provide the services (associated service provision, including past experience, staff experience, and customer references)	6	7	7	10	60	70	70	
4	Ability to ensure smooth and seamless implementations	6	6	7	5	30	30	35	

Ref	Evaluation criteria	Pabulum Score 0 - 10	Cater Link Score 0 - 10	Caterhouse Score 0 - 10	Weighting	Pabulum weighted score	Cater Link weighted score	Caterhouse weighted score	Comments
5	Deployment of transparent, user – friendly accounting and invoicing procedures	4	3.5	3	10	40	35	30	
6	The extent to which proposed menus and tariffs reflect value for money and encourage healthy eating	6.5	6.5	7.5	5	32.5	32.5	37.5	
7	Total	35.5	38	39	40	227.5	242.5	245	All tenderers addressed non-price requirements generally very satisfactorily. Criterion 5 was universally addressed least well. Overall Pabulum performed least well on non-price factors, while Caterhouse performed marginally better than Cater Link.

Key:

- 0 Failed to address
- 1 – 3 Partially addressed
- 4 – 6 Meets requirements
- 7 – 10 Exceeds/Comprehensive addressed

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