



Executive
16th June 2008

**Report from the Director of
Children and Families**

Wards Affected:
Queensbury

**Authority to award contract for the procurement of catering
services for Kingsbury High School**

Forward Plan Ref: C&F-08/09-0016

Appendix 2B is not for publication.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 Kingsbury 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 Limited (trading as ISS Caterhouse Limited) to commence on 4 August 2008.

3.0 Detail

Background

- 3.1 Cater Link Limited currently provides catering services for Kingsbury High School. The contract with this company is due to expire on 3 August 2008.
- 3.2 The contract does not include the provision of the service arrangements beyond the expiry date and alternative catering services must 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 service was intended to be self financing, but has been running at a loss for at least the past school year. The current contractor has not been able to sustain this and therefore negotiated the payment of a subsidy from the school (significant meal price rises were deemed to be untenable). The school wasn't keen to pay a subsidy but agreed to do so to maintain service provision.

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 the 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. Thirteen 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.
- 3.9 Following the Executive granting approval to proceed, the procurement process was re-commenced and the PQQs were evaluated. 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.
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3.10 Nine contractors were short-listed and invited to tender on 6 March 2008.

Stage Two – Invitation to Tender

3.11 A tender pack was issued to the nine 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%).

3.12 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

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

3.14 All tenders had to be submitted no later than noon 25 April 2008. Tenders were opened on 28 April and two valid tenders were received from 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. Each member of the panel read the tenders using evaluation sheets (please see the tender evaluation grid at Appendix 1) to note down their comments on how well each of the award criteria was addressed

3.15 The panel met on 8 May 2008 and each submission was marked by the whole panel against the award criteria.

3.16 The scores received by the tenderers are included in Appendix 2A (non-price criteria) and Appendix 2B (price and affordability criteria).

3.17 It was found that both tenderers were very closely matched in terms of their response to non-price criteria, but there was a significant gap between them in terms of price and affordability criteria as can be seen from the following table:

Summary Tender Evaluation Table			
	Price score (60%)	Non-price score (40%)	Total score
ISS Caterhouse	385	230	615
Cater Link	237.5	240	477.5

3.17.1 Further to the comment at paragraph 3.3 of this report, both tender submissions confirmed that the existing catering service business model was unviable and required subsidising by the School – the subsidy payment from the school being separate from the main income received by the contractor from the students for meals. This is on the basis that steeply increasing meal prices would be counter-productive and the price payable by students untenable (take up of meals is already low at less than 10% of the student population with the price of a main meal for pupils currently fixed at £1.70).

3.17.2 In respect of the annual subsidy payment, ISS Caterhouse Limited required £21,185 and Cater Link Limited £42,105. However of the two tenderers only ISS Caterhouse Limited recommended a range of measures to reduce and eliminate the subsidy, and coherently set out indicative measures to do so. The precise strategy would be agreed with the school and would depend upon a range of factors, including the ultimate duration of the contract.

ISS Caterhouse Limited's tender proposes to promote and develop existing catering services, but if this fails to generate sufficient income, a simplified service model with a break even financial objective will, with the school's agreement, be implemented after an initial implementation and review period (six months after the contract has commenced).

3.18 ISS Caterhouse Limited's tender is considered the most economically advantageous as it scored the highest.

3.19 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 £671,460, and £402,876 over a 3 year period (based on the School's historic transaction volumes and values).

- 4.3 As noted above the preferred contractor, ISS Caterhouse Limited, would initially expect an annual subsidy of £21,185 based on projected sales volumes, reducing to nil when the sales turnaround strategy (outlined, but to be agreed with the school) is successfully implemented.
- 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 contracts 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, Kingsbury 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 Kingsbury 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 Kingsbury 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 Implications

7.1 This service is currently provided by an external contractor employed by the Governing Body of Kingsbury High School. As detailed in the report to the Executive in February of this year, there are no staffing implications for the Governing Body or Council Staff arising from awarding a new contract.

7.2 However a change in service provider will arise if authority is given to award the contract to ISS Caterhouse Limited, as recommended in this report.

7.3 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) would appear to apply to the letting of this contract. As a result those employees who are assigned to the existing catering contract immediately prior to the new contract's start date and who do not object to transferring will transfer to the employment of the contractor awarded the new contract on their existing terms and conditions.

8.0 Accommodation Implications

There are no accommodation implications arising from this report as the facilities made available by the School to the current contractor to provide the existing catering service will be made available to any new contractor.

9.0 Background Papers

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

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

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

Ref	Evaluation criteria	ISS Caterhouse Score 0 - 10	Cater Link Score 0 - 10	Weighting	ISS Caterhouse weighted score	Cater Link weighted score	Comments
5	Deployment of transparent, user – friendly accounting and invoicing procedures	2.5	3	10	25	30	
6	The extent to which proposed menus and tariffs reflect value for money and encourage healthy eating	7	6.5	5	35	32.5	
7	Total	36.5	38	60	230	240	Cater Link's aggregate non-price score, marginally better than that for ISS Caterhouse (240/400 as opposed to 230/400).

Key:

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

