

**TO: DIRECTOR OF CHILDREN, YOUNG PEOPLE & LEARNING**  
**DATE: 24 AUGUST 2018**

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**SCHOOL MEALS CATERING SERVICES AWARD OF EXTENSION OF CONTRACT  
HEAD OF EDUCATION, CAPITAL AND PROPERTY**

**1 PURPOSE OF REPORT**

- 1.1 The purpose of the report is to seek approval to extend the school meals contract with ISS Facility Services Education from 1<sup>st</sup> August 2019 to 31st July 2021.

**2 RECOMMENDATION**

- 2.1 **That the school meals catering contract with ISS Facility Services Education that is due to end on 31<sup>st</sup> July 2019 is extended by a further and final 2 years to end on 31<sup>st</sup> July 2021 subject to satisfactory negotiations with the contractor.**

**3 REASONS FOR RECOMMENDATION**

- 3.1 **The contract value is circa £4m and under the Council's Contract Standing Orders requires Director approval.**
- 3.2 **Schools were consulted in March 2018 about whether to extend or re-tender the school meals contract with the majority who responded opting to extend.**

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 A consultation was undertaken with schools to gauge views on the following options:
1. Extend the current contract by a further 2 years
  2. The council arrange to re-tender the school meals contract
  3. Each school to re-tender individually
  4. Each school to take the service in-house

**5 SUPPORTING INFORMATION**

Background

- 5.1 Governing bodies are responsible for securing the provision of school meals and have a statutory duty to provide meals for pupils eligible to a free meal and for all infant pupils. To help schools in this, the Council arranges through a paid Service Level Agreement (SLA) for a contract to be put in place that schools can enter into if they wish. The current Council managed contract for school meals was tendered in 2012 and expired in July 2017, but had provisions for further extensions. Following consultation with schools during July 2016, a majority of schools agreed to extend the contract by an initial period of two years to end in July 2019.

Schools Participating

- 5.2 This has historically been a popular and successful SLA. In 2011 a total of 33 out of 39 schools participated in the original contract. Schools which do not participate

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either provide the service via in-house catering staff or contract the service externally for themselves via individually tendered contracts.

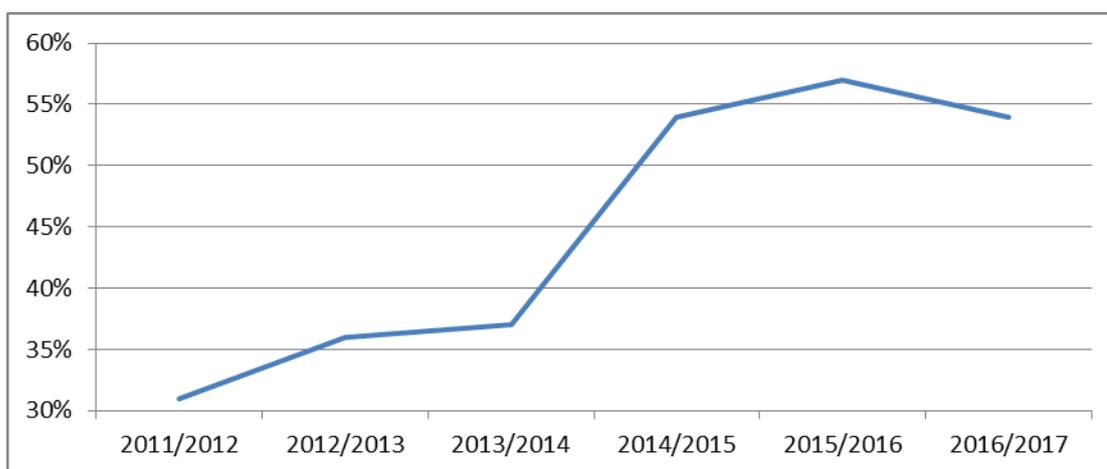
- 5.3 Numbers of schools participating in the contract have however reduced since the Academy schools which are part of Greenshaw Trust have all moved to the in-house model. In addition, from September 2018, Birch Hill Primary will also take their catering service in-house. Jennett's Park who is part of the Ranelagh Multi Academy Trust advised that from September 2019 they will be jointly tendering this service themselves with Ranelagh school via external contractors. The new Kings Academy Binfield has will also be tendering the service via external contractors. The cumulative effect of this means the schools participating from July 2019 will be 28 out of 40, as set out on the table below:

**SCHOOLS INDIVIDUAL ARRANGEMENTS FOR SCHOOL MEALS SERVICE**

SCHOOL	SECTOR	STATUS	CATERING
Ascot Heath Infant School	Infant	Maintained	BFC ISS Contract
Ascot Heath CE Junior School	Junior	Maintained VC	BFC ISS Contract
Binfield CE Primary School	Primary	VA	In-House Catering
Birch Hill Primary School	Primary	Maintained	In-House Catering
Brakenhale Secondary School	Secondary	Academy	External Contract
College Hall PRU	PRU	Maintained	External Contract
College Town Infant School	Infant	Maintained	BFC ISS Contract
College Town Junior School	Junior	Maintained	BFC ISS Contract
Cranbourne Primary School	Primary	Maintained	BFC ISS Contract
Crown Wood Primary School	Primary	Maintained	In-House Catering
Crowthorne CE Primary School	Primary	Maintained VC	BFC ISS Contract
Easthampstead Park Community School	Secondary	Maintained	External Contract
Edgbarrow Secondary School	Secondary	Maintained	External Contract
Fox Hill Primary School	Primary	Maintained	BFC ISS Contract
Garth Hill College	Secondary	Maintained	BFC ISS Contract
Great Hollands Primary School	Primary	Academy	BFC ISS Contract
Harmans Water Primary School	Primary	Maintained	BFC ISS Contract
Holly Spring Infant School	Infant	Maintained	BFC ISS Contract
Holly Spring Junior School	Junior	Maintained	BFC ISS Contract
Jennetts Park CE Primary School	Primary	VA	External Contract
Kennel Lane Special School	Sepecial	Maintained	BFC ISS Contract
Kings Academy Binfield	All Through	Academy	External Contract
Meadow Vale Primary School	Primary	Maintained	BFC ISS Contract
New Scotland Hill Primary School	Primary	Maintained	BFC ISS Contract
Owlsmoor Primary School	Primary	Maintained	BFC ISS Contract
Pines (The) Primary School	Primary	Maintained	BFC ISS Contract
Ranalagh	Secondary	Academy VA	External Contract
Sandhurst Secondary School	Secondary	Maintained	External Contract
Sandy Lane Primary School	Primary	Maintained	BFC ISS Contract
St Josephs RC Primary School	Primary	Academy RC	BFC ISS Contract
St Margaret Clitherow Catholic Primary School	Primary	Academy RC	BFC ISS Contract
St Michaels (Easthampstead) CE Primary School	Primary	VA CE	BFC ISS Contract
St Michaels (Sandhurst) CE Aided Primary School	Primary	VA CE	BFC ISS Contract
Uplands Primary School	Primary	Maintained	BFC ISS Contract
Warfield CE Primary School	Primary	Maintained VC	BFC ISS Contract
Whitegrove Primary School	Primary	Maintained	BFC ISS Contract
Wildmoor Heath School	Primary	Maintained	In-House Catering
Wildridings Primary School	Primary	Maintained	BFC ISS Contract
Winkfield St Marys CE Primary School	Primary	Maintained	BFC ISS Contract
Wooden Hill Primary School	Primary	Maintained	BFC ISS Contract

### Increase in Primary School Meal Take up

- 5.4 Despite the reduction in numbers of participating schools, since the contract began, the number of meals sold has actually risen from 587,554 in the 2012/2013 academic year to 944,440 in the 2016/2017 year.
- 5.5 The increase in meal numbers can be explained by an overall increase in numbers on roll, combined with an increase in the percentage of children taking a school meal. When the current contract began in September 2011 meal uptake was 31% of the school roll. By September 2014 when the Universal Infants Free School Meal (UIFSM) scheme began which offered free meals to children up to Key Stage 2, meal take-up had increased to 36%. Since UIFSM, take-up for all children paid and free in the 2016/2017 academic year has increased further up to 54% of the school roll. The overall increase in the % of children taking a school meal is set out on the graph below.



### Primary School Meal Price

- 5.6 The contract allows for an annually negotiated increase in the price of primary school meals paid by parents linked to factors including the CPI inflation index. The meal selling price to parents was increased in September 2017 to £2.15 per meal. The school meal price had previously been held since September 2016 at £2.10 per meal. The parental meal price from September 2018 has been agreed at £2.20 per meal. This is 10p below the £2.30 paid by DfE for UIFSM which provides further scope for schools to achieve a financial benefit from the contract, although the DfE grant is required to also fund other school meals catering costs such as additional lunchtime staff.
- 5.7 The Council's annual negotiating position on the primary school meal price is to accept reasonable cost increases incurred by the contractor including the cost of food, wages etc., but to ensure that any increase in the school meal price is not excessive compared with the current price. Historically Bracknell Forest has always managed to keep the school meal price within the range of prices charged by the other ex-Berkshire unitary authorities.

### Negotiated Contract Extension

- 5.8 ISS have indicated that they are interested in the further 2 year extension, and assuming the decision to extend is taken, which is a recommendation of this report, ISS will make a proposal to the Council for this. The Council's negotiation position for this is with advice from Legal and Procurement to accept only minor changes to the terms and conditions from the contractor to reflect changes that have occurred since the original contract was last extended.
- 5.9 The council is ending its SLA for waste with schools from April 2019. Schools will be required to make their own arrangements including for waste generated by the school meal service. As part of the negotiations for a contract extension we will be asking ISS to provide for the collection of school food waste. However, it is expected that that the caterer will seek to re-cover this cost from the parental meal price.
- 5.10 Schools have raised a number of concerns about the level of service in the past year, examples of which includes food deliveries, food standards, hygiene, food running out, menu changes, portion sizes, staff numbers, special diets and safeguarding. We will be seeking re-assurance from ISS that standards will improve to ensure a continued high take-up of this service from schools.
- 5.11 The main issue for ISS will be likely to be the possible further future reduction in the numbers of schools that participate in the contract. There will be a threshold below which, if numbers of participating schools fall, the contract may be unsustainable for ISS in the future. Under the current terms and conditions schools can leave the contract with only 12 weeks' notice for TUPE, and this may be a future concern for ISS. Their concerns will undoubtedly be included in their proposal, and there will need to be discussion and negotiation and agreement with ISS over this. CYPL will be backed up by the BFC Resources Procurement and Legal teams in any contractual situation. If these negotiations fail to secure agreement, then the position will be brought back to DMT for further consideration, however the risk of failing to secure agreement with ISS is currently assessed as low.

### The New Contract

- 5.12 A number of innovations have been successfully introduced following negotiation with ISS since the contract first began in 2011 including;
- All schools now participate in the on-line system that allows parents to pre-order and pre-pay for school meals.
  - All primary schools except Kennel Lane use the caterer's software to allow children to order meals via the classroom whiteboard.
  - To date, five schools are working towards introducing cashless payment only for school meals.
  - The caterer sponsors school fayres with hampers and food items such as a pop corn machine.
  - "School Food Matters" educational events have been run in 2 schools this year with a further 6 schools invited to attend.
  - Cakes are made for Cake sales and Fetes

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- Strawberries and Cream are served at Sports Days and Fetes.
- In September 2014 the government introduced the Universal Infants Free School Meal scheme (UIFSM) allowing children up to the Key Stage 2 year group to take a school meal without charge. This was successfully introduced by the caterer with around three quarters on average taking up their entitlement in the 2016/2017 academic year.

### Service Level Agreement

- 5.13 The contract value for a two year extension is expected to be circa £4.0m. Subject to the agreement of the recommendation in this report, CYPL will continue to offer a service level agreement for the provision of school meals. In the 2017/18 academic year this generated an overall income of £92,316 per annum. Of this £73,500 is used to pay for the purchase, maintenance and repair of kitchen equipment and regular hygienic cleaning of kitchens with the residual balance of £18,816 contributing towards BFC officer costs through the SLA.
- 5.14 In return for this income, the Council SLA includes the following services to schools;
- Contract monitoring
  - Purchase, maintenance and repair of kitchen equipment on behalf of the school.
  - Setting and implementation of policies and standards
  - Liaison with Environmental Health Officers, and advice on their recommendations.
  - Advice and guidance on food handling and hygiene.
  - Pricing and payments.
  - Purchase and/or retendering of catering contracts (e.g. high level cleaning)
  - Procurement and/or retendering of the catering contract, taking into account all EU legislation and Local Authority Standing Orders.

### Rebates to Schools

- 5.15 Schools also benefit financially from this contract because since the contract began in 2011, the cost of preparing school meals has been kept below the selling price, returning a surplus to schools in the form of a rebate. For the 2017/18 academic year the difference between the cost and the price was 2 pence per meal, which delivered a rebate of £19k back to schools. In addition, schools receive 1% of the contract value, totalling £24k in 2017/18, as an additional rebate under the terms and conditions of the contract. The value of these rebates to schools has increased substantially as the popularity of school meals has grown.

## 6.0 CONSULTATION

- 6.1 In March 2018, head teachers and governors of the participating schools were consulted in writing about the future of the school meals service and asked to respond by 25<sup>th</sup> May. Schools were given 4 options;

**Option 1:** Extend the contract by a further 2 years to end on 31<sup>st</sup> July 2021.

**Option 2:** Bracknell Forest to re-tender the school meals contract.

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**Option 3:** For each school to re-tender individually and find another provider.

**Option 4:** For each school to take the service in-house and operate the school meals service itself.

6.2 A total of 11 schools responded to the consultation, the results of which are as follows;

Option	Schools	Number
Option 1 – Extend the contract by a further 2 years	Ascot Heath Infants Ascot Heath Juniors College Town Infants Cranbourne Primary Fox Hill Primary Sandy Lane Primary St Michaels (Easthampstead)	7
Option 2 – to re-tender the school meals contract	New Scotland Hill Primary St Josephs Primary	2
Option 3 – for each school to re-tender individually and find another provider	Jennett's Park Primary	1
Option 4 – for each school to take the service in-house	Birch Hill Primary	1

6.3 With 64% of respondents (24% of primary and special schools) indicating a preference to extend the current contract, and with the statutory duty for the provision of school meals resting with governing bodies, the expectation is that schools will want to buy back into the contract including those that did not respond to the consultation. Schools can leave the contract at any time subject to the statutory TUPE notice periods being observed. The proposal is therefore to accept the decision of the majority of schools and seek to extend the contract.

### Risks

6.4 There is the risk of schools converting to academies during the contract extension period and then leaving the contract, although it should be noted that St. Margaret Clitherow RC primary school have continued to remain in the contract despite converting to an academy.

6.5 There is the risk of not being able to conclude a contract extension with ISS. They are happy to extend the contract but reserve the right to review this should there be a significant reduction in turnover. For example, the loss of one of the larger primary schools would significantly reduce their surplus income to cover management costs etc. Before the extension is agreed, negotiations will need to be undertaken with the contractor to establish the threshold number of schools that could withdraw from the contract before it became uneconomic. If schools left in numbers then measures to mitigate this could include increasing the meal price, reducing/removing the rebates, schools subsidising the service from their own budgets or ultimately, withdrawal from the contract by ISS Facility Services Education. We estimate that this could be necessary if the contract experiences a further reduction in the number of participating schools in the order of 30% or 7 schools. The risk of failing to reach a

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negotiated contract with ISS is assessed as MEDIUM. The risk of 30% of the schools leaving the contract is also assessed as MEDIUM, given that only 4 schools left the contract during the last extension period. In the event that the viability threshold is breached there will need to be early notification to schools of the termination of the ISS contract and schools will then need to make their own arrangements for school meals catering.

- 6.6 Should this occur, there is also a risk that ISS might seek redress from the Council for loss of opportunity or profit, but this risk is assessed as LOW because it is expected that this can be mitigated through closely monitoring with the caterer to establish the impending tipping point of the current contract before this becomes an issue of concern, and to give schools sufficient time to make alternative arrangements.
- 6.7 If the ISS contract with the Council ultimately becomes untenable, this would mean the end of the Council's SLA for this service. Alternative arrangements could include individual schools entering into direct contractual relations with ISS under contract waivers as a short term measure until they could put their own arrangements in place. The administration cost for ISS working through multiple contracts would be higher than the cost of contracting with the Council alone, and any such additional costs would need to be paid for by schools, again through a combination of reducing/removing existing rebates and/or subsidising the service if necessary.
- 6.8 Alternatively, it may be possible to save time in re-tendering by utilising a framework agreement such as that offered by ESPO. A total of 33 companies participate in the ESPO framework number 704 which includes local providers such as Hampshire County Council.

## **7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 7.1 The Council let the school meals contract following an EU tender exercise on 24<sup>th</sup> July 2012 to ISS Facility Services Education. The contract was for a term of 5 years with the ability to extend by agreement between the parties for a further 2 x 2 year periods. On 23<sup>rd</sup> July 2017 the contract was renewed for an initial 2 years. This report is requesting authority to extend for a further final 2 years in accordance with the contractual arrangements after which a new procurement process will be required. This report accords with the Councils Standing Orders.

### Borough Treasurer

- 7.2 Provided a significant number of schools agree to continue with the current contract, no significant financial implications are anticipated. With a relatively low response rate to the questionnaire seeking school views on future service delivery, there remains a risk that there will be insufficient demand to extend the contract or maintain a viable council SLA.

### Contacts for further information

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**Approved under delegated authority by:**

<b>Name</b>	<b>Signature</b>	<b>Date</b>
Nikki Edwards, Director of Children, Young People & Learning		