

**SURREY COUNTY COUNCIL****CABINET MEMBER FOR BUSINESS SERVICES AND  
RESIDENT EXPERIENCE****DATE: 10 SEPTEMBER 2015****LEAD  
OFFICER: BEVERLEY BAKER, HEAD OF COMMERCIAL SERVICES****SUBJECT: AWARD OF CONTRACT FOR THE SUPPLY OF TRANSPORT  
FOR SCHOOL MEALS****SUMMARY OF ISSUE:**

This report seeks approval to award a contract for the supply of transport for school meals for the benefit of the Council to commence on 1 January 2016 as detailed in the recommendations as the current arrangements expire on 31 December 2015.

The report provides details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrates why the recommended contract award delivers best value for money.

Due to the commercial sensitivity involved in the contract award process the financial details of the potential suppliers have been circulated as a Part 2 report.

**RECOMMENDATIONS:**

It is recommended that a contract is awarded to Sheridan Myers Management Services LLP from 1 January 2016 for three years with an option to extend for a further two periods of one year each for Surrey County Council (SCC).

**REASON FOR RECOMMENDATIONS:**

A full tender process, in compliance with the requirements of Public Contracts Regulations 2015 and the Council's Procurement Standing Orders has been completed and the recommendations provide an appropriate and flexible service which delivers best value for money for the Council.

The supplier has demonstrated the ability to undertake the required service as specified through a competitive procurement and thorough evaluation process.

**DETAILS:****Business Case**

1. The contract gives SCC access to a reliable service for the supply of transport for school meals to primary schools that do not have kitchen facilities which represents value for money. The current arrangements expire on 31 December 2015.

2. The contract supports SCC's Commercial Services contractual obligations to provide school and civic meals across Surrey. It helps the schools to comply with their legal duty, including the Children's and Families Act 2014, for all state-funded schools, including academies and free schools, to offer a free school lunch to all pupils in reception, year 1 and year 2.
3. Currently 31 of the county's primary schools do not have adequate kitchen facilities and therefore 25 schools with kitchen capacity are used to supply these schools with hot meals. The transportation service for permanent routes is either on a same day basis for transportation of meals and collection of containers for return to production kitchens, or on a next-day basis where meals are delivered daily but containers are collected the following day and returned to production kitchens. The service on a same day basis is needed for receiving schools which have no space to clean dishes after meals are consumed so these are returned to the production kitchen who carry out this function.
4. Additional route transport services are also provided on an ad hoc basis and are temporary in nature to cater for a variety of circumstances that include breakdown of equipment at a production kitchen requiring route change to collect meals from another site, transporting Commercial Services staff to serve the meals and equipment required including tables, kitchen equipment and food ingredients.
5. Commercial Services will provide ongoing contract management for the service throughout the life of the contract.

### **Procurement Strategy and Options**

6. A full tender process, compliant with the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement systems which included advertising the contract opportunity in the Official Journal of the European Union (OJEU) on 28 April 2015.
7. Several procurement options were considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity. These included the following options:
  - a) In-house provision of transport involving Commercial Services staff;
  - b) convert school serveries into production kitchens;
  - c) utilise an external organisation's framework agreement;
  - d) undertake a full EU compliant tender exercise and establish a contract.
8. After a full and detailed options analysis, the tender process described in paragraph 7(d) was chosen. Option 7(d) was selected as the option as described in 7(a) did not present an opportunity to obtain best value due to the costs of leasing or outright purchase of vehicles with associated running costs, labour costs for staff and vehicles not fully utilised as only needed for 2.5 hours each day with all meals requiring delivery to schools between 11am and 1.30pm. Option 7(b) was rejected due to the high costs of funding building conversion with the schools in question not having sufficient space to

install catering facilities and the cost of supplying start up catering equipment to schools concerned. Option 7 (c) was rejected as the external food supply frameworks do not offer transportation of hot meals only as a service.

### **Key Implications**

9. By awarding a contract to the supplier as recommended for the supply of transport for school meals to commence on 1 January 2016, schools will be meeting their obligations under the Children's and Families Act 2014 and the Council will be ensuring best value for money for this service to schools.
10. SCC, as part of the tender documentation, released a detailed specification and information about the delivery routes emphasising the importance of safe and secure delivery of hot meals for all scheduled runs completed within the agreed time slots.
11. Appropriate contract management and monitoring of deliveries will take place throughout the duration of the contract and be reviewed at regular contract meetings. The management responsibility for the contract lies with Commercial Services who will maintain a process to ensure deliveries are monitored by way of service level agreements (SLAs). For sustainability, transport routes are planned to minimise the mileage and are subject to review by Commercial Services to ensure continuous improvement.
12. Flexibility will be required to allow for annual reviews of the pricing schedule throughout the contract duration. This is to either remove schools from the delivery schedule that no longer require meals through Commercial Services or to add schools without kitchens which now require catering services from Commercial Services. The individual delivery routes are not guaranteed for the life of the contract and can be amended, terminated or increased dependent on the requirements of SCC and will result in adjustments to the value of the contract. Schools are required to give Commercial Services a period of two terms notice should they wish to cancel their contract for catering services. A notice period of one month is provided to the supplier for route terminations or significant amendments to routes.
13. The selected supplier has a network of sub-contractors who are recruited locally and include local residents with suitable vehicles for the service. They are therefore able to provide a local delivery service at a competitive cost, an option which was open to all tenderers. Consideration was given to dividing the contract into a number of individual lots for tender but was rejected as unaffordable and adding administrative complexity so this was deemed operationally unsuitable to Commercial Services at the time of the tender.
14. Commercial Services confirm that the selected supplier, as the incumbent for this contract, has performed consistently well and has shown considerable willingness to be flexible with the arrangements required.

### **Competitive Tendering Process**

15. All suppliers expressing an interest in the advertised tender opportunity were invited to tender for the contract and were given 42 days to complete and submit their tender. Tender responses were received from six suppliers for the contract, one of which failed to submit a complete tender and was deemed non-compliant.

16. The tender submissions were initially evaluated against selection criteria including Good Standing, Insurance Requirements, Financial Information, Health and Safety and Equalities, Quality Assurance and Sustainability, Social Value and Business Continuity.
17. From the assessment of the financial information provided, two suppliers were found to be unsuitable for award of the contract. One supplier was newly incorporated with no financial information available and the other supplier's turnover was assessed as being too small for the contract. All suppliers passed all other selection criteria.
18. Tender submissions were scored against the quality and price award criteria and weightings as shown below. For the quality criteria, pass/fail questions were included for response with particular reference to the suppliers having Disclosure and Barring Service (DBS) checks in place for all staff making deliveries, cover offered for staff absence, their acceptance of SLAs with Key Performance Indicators and their mandatory attendance at review meetings.

<b>Award Criteria</b>	<b>Weighting</b>
<b>Quality</b>	
Section A – Council Objectives including Critical Success Factors	<b>2.8%</b>
Section B – Technical Capability	<b>25.2%</b>
Section B – Technical Capability (DBS checks , Staff absence cover)	<b>Pass/Fail</b>
Section C – Performance Management and Implementation	<b>12%</b>
Section C – Performance Management and Implementation (SLA acceptance, Attendance at Review Meetings)	<b>Pass/Fail</b>
<b>Price</b>	
Price – Permanent Route Cost	<b>48%</b>
Price – Additional Route Cost	<b>12%</b>

#### **CONSULTATION:**

19. Key internal stakeholders have been consulted at all stages of the commissioning and procurement process including Procurement, Legal Services, Commercial Services and Finance.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

20. Risks were appropriately identified and have been satisfactorily mitigated. These risks and action to mitigate them include:
  - a) Cost – price increases and decreases are possible throughout the contract duration as schools join or exit the arrangement which will be closely monitored by Commercial Services to ensure costs remain within budget and payments to the supplier are adjusted as required. Any price increase proposed by the supplier at the annual review will be negotiated prior to any increase being granted at the sole discretion of SCC. SCC has the flexibility to give the supplier one month's notice for route terminations or significant

amendments to routes with the resultant adjustment to the value of the contract.

- b) Stability – the supplier is not financially stable resulting in the supplier no longer being able to provide the service. Annual checks will be undertaken on the supplier to monitor their financial stability.
  - c) Reputation – the supplier does not meet delivery times, fails to satisfy safeguarding requirements or responds inadequately to emergencies. Ongoing checks and monitoring will be undertaken by Commercial Services to maintain standards.
21. The contract includes termination provisions to allow SCC to terminate the contract with a three month notice period should circumstances change. If terminated, SCC will only be liable to pay the supplier for sums due for services provided up to the date of termination.
22. The supplier recommended for contract award was assessed as satisfactory for all financial checks and will be required to provide either a Parent Company Guarantee or Performance Bond against failure.

#### **Financial and Value for Money Implications**

23. Full details of the contract including values and financial implications are set out in the Part 2 report.
24. The procurement activity has delivered a solution which is a reduction against current annual core contract costs with savings of 9% overall and is therefore within budget.

#### **Section 151 Officer Commentary**

25. The tender exercise outlined in this report provides Commercial Services with revised, flexible, fully evaluated contractual arrangements to meet their operational transport requirements. The anticipated costs are 9% less than currently budgeted. As part of 2015/16 budget setting Commercial Services were tasked with increasing net operating income by £500,000. This price reduction will provide greater flexibility to meet this target.

#### **Legal Implications – Monitoring Officer**

26. The existing contract extension expires on 31 December 2015. As set out in this report a full tender process in compliance with the requirements of the EU Procurement legislation and SCC's Procurement Standing Orders has been completed.

#### **Equalities and Diversity**

27. Commercial Services reviewed the Equality Impact Assessment (EIA) for the service and noted no amendments were required as the re-tendering of the requirement for the contract does not require a new policy, change of policy, is not a new function or a new service. Tender submissions were assessed for adherence to the Council's Equality and Diversity policy with specific questions requiring response on how staff will uphold and promote the aims of the policy in day-to-day work and how the supplier will ensure staff comply

with their policies and monitor this. From mobilisation onwards Commercial Services will monitor the supplier's adherence to the above and take appropriate action to address any concerns with the supplier. The preferred supplier will be required to comply with all relevant legislation.

**WHAT HAPPENS NEXT:**

29. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet Member decision to award	10 September 2015
Cabinet call in period	11 to 17 September 2015
'Alcatel' Standstill Period	18 to 28 September 2015
Contract Signature	October 2015
Contract Commencement Date	1 January 2016

30. The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period.

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**Consulted:**

No external parties

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