

**SURREY COUNTY COUNCIL****REPORT OF: MRS MARY LEWIS, CABINET MEMBER FOR  
ALL AGE LEARNING****MRS HELYN CLACK, LEAD CABINET  
MEMBER FOR CORPORATE SUPPORT****DATE: 25 SEPTEMBER 2018**

**LEAD OFFICER: SARAH ATKINSON – HEAD OF COMMERCIAL SERVICES**  
**ROSS DUGUID – ACTING ASSISTANT DIRECTOR, ORBIS  
PROCUREMENT**  
**DAVID HILL – EXECUTIVE DIRECTOR, CHILDREN SCHOOLS  
AND FAMILIES**

**SUBJECT: CONTRACT AWARD FOR THE SUPPLY AND DISTRIBUTION  
OF FRESH FRUIT AND VEGETABLES****SUMMARY OF ISSUE:**

This paper requests approval for the award of a contract for the supply and distribution of a fresh fruit and vegetables for Commercial Services (CS). This will provide continuity of supply of the fresh produce required to deliver the school meals service in Surrey schools. Elmbridge Council also uses the contract for supply of meals in their care homes and other premises.

School Governors have a statutory requirement to provide school meals and the Council has a discretionary responsibility within the Education Act 1996. This contract is key to support the delivery of the school meals service through the Council's trading arm Commercial Services.

Strict legal standards are prescribed for school meals and fruit and vegetable consumption is a key requirement. It is also a key target of the Obesity Strategy that fruit and vegetable consumption is increased within the target age range of the school meals service.

The supply and delivery of fruit and vegetables into schools is not an easy contract to deliver and hence procure but it is absolutely business critical to the supply of meals. The requirement is for many and frequent small drops within a tight delivery window through Surrey roads and school gate congestion. Key Performance Indicators (KPIs) require missed or sub quality items to be immediately replaced requiring additional vehicle movements and the costs of vehicles and drivers with the number of small drops make this challenging for suppliers, but promote a right first time approach to performance. Local produce is an aim of the contract but there are high volume items required that are not grown in Surrey or even the U.K such as bananas, citrus fruits and melons.

## **RECOMMENDATIONS:**

It is recommended that Cabinet approve the award of a contract for three years to two suppliers; Cheesman Bros Ltd and AG Axtons. The total contract value for all lots is £2.58M.

## **REASONS FOR RECOMMENDATIONS:**

The contract awards support the Draft Vision for Surrey in 2030, the ambitions and themes of the Transformation Programme by meeting the high service and quality standards for food supplied for Surrey schools, involving the use of local suppliers and producing a saving against current contract value.

The awards support Commercial Services for the Council in assisting school governors meet their statutory requirement to provide school meals.

The current contracts which were extended in agreement with the incumbent bidders expire on in 31 October 2018, and the new contract will commence on 1 November 2018.

The tender has been conducted in compliance with the requirement of Public Contract Regulations 2015 and Procurement Standing Orders.

## **DETAILS:**

### **Business Case and Current Provision**

1. A school lunch must be provided by school governors for pupils where a meal is requested and either the pupil is eligible for free school lunches, or lunches can be provided. Commercial Services generate income from schools to meet the costs of providing the catering service.
2. Due to the complex and specialised nature of the food market, the Council engages under contract the services of a food buying agent, Pelican Procurement Services (PPS) a private sector body and a contractor to the Council. This organisation is managed by Commercial Services which is part of the Council.
3. PPS provides all food and food related supplies purchasing services, which includes preparation of the specification and related tender documents, evaluation of tenders, market engagement to develop and engage new bidders, quality assurance, performance management and other contract management activities, invoicing, menu planning, new products. The Council enter into tri-party contracts with PPS and bidders awarded contracts for food and food related supplies.
4. Spend on local produce is dictated by menu requirements, growing seasons and the weather. The Council buys produce grown as close to Surrey, or the adjoining area, as possible, however there are numerous high volume products that are not grown in Surrey or the UK e.g. bananas, citrus fruit and melons.
5. Commercial Services hold the Soil Associations Gold Award. The latest Soil Association audit results show that the Council procures 30% of it fresh produce from Linking Environment and Farming (LEAF) accredited farms. The report also shows that 19% of fresh food is procured from within Surrey

or adjoining regions and given the volume of requirements across the 242 clients and the capacity of the local growers this is considered a reasonable amount. Spend on local produce is dictated by the menu requirements, growing seasons, weather etc., we buy as far a possible produce grown in or as close to Surrey as we can.

6. PPS for the procurement conducted extensive market research and engagement to investigate food producers local to Surrey. All tier 1 suppliers were contacted who had a minimum of Safe and Local Supplier Approval (SALSA) Certification and alerted to the forthcoming requirement.

### **Future Provision and Procurement Process**

7. The suppliers awarded contracts will be responsible for providing 18 standard fruit products, 42 standard vegetable products and 24 prepared vegetable products for 234 schools 6 care homes and 2 Council staff restaurants in Surrey.
8. The contract was divided into geographical lots to encourage smaller suppliers to tender as it was recognised that the four hour morning delivery windows for an average of 25 schools for each are difficult with food required for same day lunch preparation and for the Elmbridge Homes providing round the clock care.
9. Following the tender deadline and reflecting the difficulty in meeting the high quality standard and supply requirements, two bidders submitted responses.
10. Tenders were evaluated against the award criteria which for quality included Service: delivery frequency, time windows and site coverage; Produce Quality - against specification and provision of product samples; Social Value and Price which was based on a shopping basket of goods.
11. The tender evaluation panel for the service included representatives from Procurement, Commercial Services and Pelican Procurement Services.

### **Key Implications**

12. The contract awards will support the Council's ambition for businesses in Surrey to thrive as Cheesman Brothers are based in Surrey so are a local provider. Cheesman also has arrangements in place with Surrey garages to service and support their fleet of delivery vans and with local tradesmen for any repairs and maintenance work required on their site.

Axtons is not based in Surrey, however they have an extensive local based supply chain including small farms around the county.

Awarding to 2 Suppliers will provide resilience within the supply chain and a continued competitive "edge" during the lifetime of the contract.

13. The Council's ambition for children to be safe and healthy is supported as both suppliers gained high scores for service and product quality. Other authorities with similar contracts follow similar supply specifications and impose stringent penalties for incorrect and substandard supply. Brakes Bros, a large food provider (9000 school client base) follow much of the same specification with their suppliers as Surrey does. There are the same stringent requirements for both quality and timely delivery by appropriate drivers and actually go further by stipulating the allowable packaging for each of its product types. It is the case that most Public Sector, Education, NHS and

Private Sector Clients have similar specifications and delivery schedules to be met, therefore the Council is not so unusual in the complexity of their requirements.

14. The procurement has produced a saving against current contract value.
15. The Council will be able to continue to enable schools to meet their statutory responsibilities in relation to the provision of a food service, by awarding contracts to the recommended suppliers to commence on 1 November 2018.
16. The Council can terminate the contract with 30 days' notice where there is a material detrimental change in the financial standing and/ or the rating of the Supplier.
17. Performance will be monitored and reviewed at operational meetings throughout the contract period through the use of three Service Level Agreements and Key Performance Indicators detailed as follows:

SLA	KPI	How is it measured?
All deliveries to be signed for by a senior member of kitchen staff. This will attest to the acceptance of the quality of the product delivered.	95%	Reported quarterly by bidder
Deliveries to take place during the correct timescale.	98%	Reported quarterly by bidder
Management information reports supplied on time	100%	Report submitted on time.

18. A detailed summary of the evaluation process is provided in the Part 2 report.

#### **CONSULTATION:**

19. The process for developing the fresh produce proposals and the subsequent retender process have built on engagement with stakeholders from the Council (including Children Schools and Families) and PPS.

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

20. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

<b>Category</b>	<b>Risk Description</b>	<b>Mitigation Activity</b>
Finance	Potential risk that during the life of the contract the supplier will request an inflationary increase against the initially proposed pricing based on then current market value.	The rates are fixed per academic half term. Any price increase to be agreed by PPS and Commercial Services. PPS will use market knowledge to determine whether price increases or reductions are warranted and if so, what level is reasonable.
Reputational	Quality of service delivered does not meet objectives and needs.	Strong contract management and quarterly performance review meetings which will enable us to influence, closely monitor and understand performance delivery. The contract will be managed by PPS
Change/ Transition Management	Supply and installation of existing orders may be delayed or cancelled.	The Council and PPS will be working with the bidders to ensure there is a seamless transitioning of service.

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

21. Full details of the contract(s) value and financial implications are set out in in the Part 2 Annex.
22. By using a basket of goods to evaluate the price from each bidder, the tender exercise has provided lower costs for the new contracts of £72,332 representing approximately 8% saving. This saving comes from a like for like comparison of a basket of produce used to compare the bids and benchmark against current pricing.
23. Any price, product or specification change must be discussed, agreed and authorised by PPS and the Council prior to its implementation.

### **Section 151 Officer Commentary**

24. Award of this contract will allow Commercial Services to purchase fresh food through a reviewed compliant and market tested contract. The reduction in price will support Commercial Services to manage the service in line with the 2018/19 budget.

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

25. The procurement was done using the Open Procedure set out in the Public Contracts Regulations 2015. This gives any potential supplier the chance to express an interest and if they wish submit a tender bid.
26. Six potential suppliers expressed an interest in supplying the fresh produce. Only two potential suppliers bid. Both were the incumbent suppliers. All potential suppliers had the opportunity to bid. Legal is satisfied that the procurement was done properly and fully compliant with the law.

### **Equalities and Diversity**

27. An EIA has not been completed as there is no change to the service provided as the same coverage will be provided under the incoming suppliers for the new contracts.
28. Both suppliers were scrutinised as part of the tender process that they comply with the provisions of the Equality Act (2010) and Human Right Act 1998 and all other anti-discrimination legislation.

### **Safeguarding responsibilities for vulnerable children and adults implications**

29. Safeguarding requirements have been considered. As this is a delivery only contract, DBS checks were not considered relevant. The Council's reputation must be protected and their services not put at risk by suppliers employing unsuitable staff. School kitchen staff are fully aware of the requirements and will ensure that staff employed by suppliers will not approach or engage in any activity with any young person whilst on the school premises which could result in a child protection issue.
30. The suppliers may use sub-contractors where required and all references within the tender documents including the terms and conditions to suppliers' staff apply equally to any sub-contractors

### **WHAT HAPPENS NEXT:**

31. Subject to Cabinet approval, the suppliers will be advised of the Council's intention to award the contracts. The contracts to the successful bidders will be issued following a period of 10 days standstill; these will need to be signed by the bidders and returned to the Council to be sealed and stored in line with Procurement Standing Orders.
32. Proposed timetable for implementation:

<b>Action</b>	<b>Date</b>
Cabinet decision to award	25 September 2018
Standstill Period	1 to 11 October 2018
Contract signature	15 October 2018
Contract mobilisation	16 to 31 October 2018
Contract commences	1 November 2018

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**Consulted:****1) Internal stakeholders**

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Ross Duguid, Acting Assistant Director Orbis Procurement  
David Hill, Strategic Director Children School and Families  
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Legal Services

**Annexes:**

Annex I Part 2 Financial implications (exempt information circulated as agenda item in Part 2)

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