

READING BOROUGH COUNCIL

REPORT BY REPORT BY DIRECTOR OF CHILDREN EDUCATION, AND EARLY HELP SERVICES

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| TO: | ADULT SOCIAL CARE, CHILDREN'S SERVICES & EDUCATION COMMITTEE | | |
| DATE: | 5 APRIL 2018 | AGENDA ITEM: | 7 |
| TITLE: | PROVISION OF SCHOOL CATERING SERVICES- CONTRACT EXTENSION | | |
| LEAD COUNCILLOR: | TONY JONES | PORTFOLIO: | EDUCATION |
| SERVICE: | SCHOOL MEALS SERVICE | WARDS: | BOROUGHWIDE |
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out the proposal to extend the School Meals Contract with the current contractor; Chartwells, for the next extension period of two years. This will run from 1 August 2018 to 31 July 2020.
- 1.2 At the date of commencement on 1 August 2018 it is intended that Chartwells; the school meals contractor, will introduce the Living Wage Foundation Living Wage (LWFLW) to staff employed on the Reading School Meals Contract.
- 1.3 In order to incentivise schools to encourage greater uptake of school meals by pupils, the report recommends adopting a profit share arrangement.

2. RECOMMENDED ACTION

- 2.1 That the existing School Meals Contract be extended by a further two years from 1 August 2018 to 31 July 2020.
- 2.2 That the option outlined in paragraph 4.4 to introduce the Living Wage Foundation Living Wage into the School Meals Contract with effect from 1 August 2018 be approved.
- 2.3 That the initiative to introduce profit share is applied to the School Meals Contract from 1 August 2018 until the expiry of the contract extension on 31 July 2020.

3. POLICY CONTEXT

The Council endorses a full hot meal service being available to all children across the Borough within all of the LA maintained schools.

4.0 THE PROPOSAL

4.1 CURRENT POSITION

The initial contract period for the Reading School Meals Contract ran from 1 August 2012 to 31 July 2016, with the option to extend for a further two plus two years.

Following a robust procurement exercise, the initial contract was awarded to Chartwells, with a start date of 1 August 2012. Subsequently, Chartwells was awarded the first extension period which runs from 1 August 2016 to 31 July 2018. At this point, all schools were given the choice to remain in contract. There are 43 schools currently in the centrally managed contract within the Borough.

4.2 CONTRACT EXTENSION

A consultation exercise has been undertaken with all schools currently part of the centrally managed contract. This consultation was to seek feedback on the service provided by the Contractor. Schools were asked whether to proceed with the two year extension period or to carry out a procurement exercise of re-tendering.

The consultation was in the form of face to face meetings and, for consistency, each school was asked their views about 7 topics. Scores were out of 5, with 5 being the most positive response. 31 responses were received from a total of 43 schools in the contract.

Table 1: Consultation Scores

| Score | 1. Food Quality | 2. Value for Money | 3. Relationship | 4. Food Offer | 5. Service | 6. Contract Management | 7. Repairs & Maintenance |
|----------------|-----------------|--------------------|-----------------|---------------|------------|------------------------|--------------------------|
| 1 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 1.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | 0 | 3 | 2 | 3 | 0 | 1 | 2 |
| 2.5 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 3 | 8 | 1 | 3 | 6 | 2 | 2 | 11 |
| 3.5 | 1 | 0 | 2 | 3 | 1 | 2 | 0 |
| 4 | 17 | 18 | 11 | 13 | 15 | 15 | 5 |
| 4.5 | 1 | 3 | 2 | 1 | 1 | 2 | 0 |
| 5 | 3 | 5 | 11 | 5 | 12 | 7 | 3 |
| No score given | 0 | 1 | 0 | 0 | 0 | 1 | 0 |
| n/a | 0 | 0 | 0 | 0 | 0 | 1 | 7 |
| Average | 3.74 | 3.98 | 4.13 | 3.74 | 4.32 | 4.10 | 3.25 |

Questions 1-5 related to quality and relationships with Chartwells. The majority of schools had positive feedback about the current offer and performance. Some of the areas identified for improvement were: consistency of food quality and more bespoke menus. All the points have been discussed with Chartwells and an action plan is in place to resolve any school specific issues. These points are also incorporated into the Annual Service Plan. Outcomes are monitored termly, and progress is reported to the School Meals Board.

Questions 6 and 7 are related to the RBC School Meals Service SLA, which is split into two parts (contract management, and kitchen repairs & maintenance). Overall, feedback was positive and those who gave lower scores had concerns about the cost of the SLA, rather than the service being provided.

To date, two schools have indicated that they may not remain part of the central School Meals Contract (Reading Girls' and St Michael's Primary). This is due to individual circumstances of the schools rather than dissatisfaction with Chartwells as a contractor. Of the other schools who responded, they were all in favour of extending the contract with Chartwells rather than re-procurement. However, several academies said that the decision whether to remain within the central contract would be down to their Academy Trust rather than the individual school. Chartwells has indicated that should these two schools leave the central contract, then they would still continue with the extension at the proposed meal price. The final number of academies would be subject to the supplemental agreement (noted in 8.2).

4.3 COMMUNICATION

A meeting was held on 30 August 2017 with the School Meals Contractor; Chartwells, to discuss their offer and proposal for the extension.

Results from the above consultation and Chartwells' extension offer were shared and discussed with the School Meals Board on 11 October 2017. This is a strategic board with representatives from Schools, Governors, Local Authority and Contractor. Based on the consultation responses, the panel recommended that the current contract be extended for a further two year period.

4.4 PROPOSED OPTION: CONTRACT EXTENSION AND INTRODUCTION OF THE LIVING WAGE FOUNDATION LIVING WAGE

- 4.4.1 Under the terms of the School Meals Contract, participating schools pay the contractor for all free school meals taken by children entitled to a free school meal. In addition where meals are chargeable, the payment process is predominantly online and direct to the contractor's bank account, although cash sales remain an option at all schools.
- 4.4.2 In 2014 the Council adopted the LWFLW for both employees and contractors' staff. The School Meals Contract, let to Chartwells, preceded this decision by two years. However, in order to remain within the Council's policy, the LWFLW would need to be introduced as part of the proposed contract extension, which would run from 1 August 2018 until 31 July 2020.
- 4.4.3 School meals catering has a history of being a comparatively poorly paid industry and the introduction of the LWFLW would have a significant and positive impact on salaries paid to staff across the workforce involved in the Reading School Meals Contract. Table 2 below provides a comparative analysis of the National living Wage (NLW) and the LWFLW.

Table 2: Living Wage Rates from 1 April 2018

| National Living Wage | 25 and Over | 21 to 24 | Living Wage Foundation Living Wage |
|----------------------|-------------|----------|------------------------------------|
| 2018 | £7.83 | £7.38 | £8.75 |

4.4.4 The primary meal price is currently £2.10. However, when all Chartwells staff engaged on the Reading School Meals Contract receive the LWFLW rate from 1 August 2018, the primary school meal unit price will increase to £2.20, an increase of 4.7%. In order to keep the meal price increase as low as possible, Chartwells would reduce the Silver Food for Life offer to Bronze. The impact on all school meal prices and corresponding percentage increases are shown in table 3 below.

Table 3: School Meal Price Comparator

| School Meal Type | Current Price Per Meal £ | Proposed Price Per Meal £ | % Uplift |
|------------------|--------------------------|---------------------------|----------|
| Nursery* | 1.43 | 1.60 | 11.89 |
| Primary | 2.10 | 2.20 | 4.7 |
| Secondary | 2.30 | 2.40 | 4.35 |

*It should be noted that the Nursery meal price would have risen to £1.50 irrespective of the proposal in this report.

4.4.5 The risks associated with this proposal are that the price increase may lead to a reduced take up of chargeable school meals, and that schools accustomed to the differential paid to them for Universal Infant Free School Meals (UIFSM), may choose to opt out of the contract. At this time it is not possible to predict the number of schools buying back or the impact this might have on the viability of the School Meals Contract.

4.5 OTHER OPTIONS CONSIDERED

4.5.1 MAINTAIN STATUS QUO

If the contractor's staff continued at the current rate of pay this would follow the NLW increases, as set by central government. The differential between the LWFLW and the Government's rate would decrease over time. However, it would not align with the Council's policy to introduce the LWFLW.

4.5.2 GRADUAL INTRODUCTION OF THE LIVING WAGE FOUNDATION LIVING WAGE

This option would involve a gradual increase in the rate of pay received by the contractor's staff and corresponding increase in the school meal price over the contract extension period. Under this proposal the rates of pay made to the contractor's staff would match the LWFLW by the end of the contract in 2020. The downside of the proposal is that it would not fully align with current Council policy.

4.6 PROFIT SHARE

With a view to giving added incentive to schools to encourage more children to eat school meals, Chartwells is suggesting introducing a 10% profit share for uptake above current levels. Based on experience in other local authorities, and 10% increase in uptake profit, between £300 and £1400 per annum would be shared with schools depending on school size.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The centrally managed School Meals Contract contributes to the strategic aim of providing the best start in life through education, early help, and healthy living. The aim of this contract is to provide Reading pupils with healthy, nutritious school meals in a pleasant dining environment and to encourage the uptake of school meals, especially those entitled to UIFSM.

5.2 This decision contributes to the Council's strategic aim to promote equality, social inclusion and a safe and healthy environment for all.

6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1 All Headteachers representing schools within the contract have had the opportunity to give feedback on the service provided by Chartwells via a face to face meeting. Additional consultation has taken place through the School Meals Board members.

7. EQUALITY IMPACT ASSESSMENT

7.1 An Equality Impact Assessment (EIA) is not relevant to the decision as school meals are available to all pupils.

8. LEGAL IMPLICATIONS

8.1 The Council's Contract Procedure Rule 33 allows a contract to be extended where the original contract contains a clause permitting this and where it is reasonable to do so and best value will be achieved. The original contract does contain the necessary clause permitting an extension of up to a maximum of two periods of two years.

8.2 It will be necessary to enter into a supplemental agreement with Chartwells to record the extension of the term and with Academy Trusts who wish to continue to receive the school meals service procured by the Council on behalf of schools in Reading for the period of the extension.

8.3 The School Meals Contract currently does not allow for the Council to insist on the introduction of the LWFLW, so this can only be achieved by negotiation and agreement with Chartwells.

9. FINANCIAL IMPLICATIONS

9.1 The contract is run at no cost to the Council as it is the individual schools that pay the contractor for the meals consumed. The meal price proposed by Chartwells remains the same across all schools within the contract, regardless of catchment. The majority of schools within the contract are primary so will have the same meal price. However,

different meal prices are charged for the nursery and secondary sites, as separately identified in para 4.4.4.

9.2 VALUE FOR MONEY

A benchmarking exercise has been carried out to ensure that the current contract provides value for money when compared to geographical and statistical neighbours. The results below show that the value offered by Chartwells is comparable to that of other school meal providers.

| | Reading | Bracknell | West Berkshire | Windsor & Maidenhead | Wokingham | Sheffield* | Southampton* |
|-------------------------------------|------------|--|---|--|-----------|---|---------------------------------|
| Catering Contractor | Chartwells | ISS | ISS | Caterlink | Caterlink | Taylor Shaw | City Catering |
| Contract Renewal | August 18 | July 19 | July 17 | August 18 | August 19 | August 20 | No contract (schools own trust) |
| Contractor Satisfaction | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Current Primary Meal Price | £2.10 | £2.15 | £2.20 | £2.20 | £2.00 | £2.00 | £2.05 |
| Proposed Primary Meal Price Sept 18 | £2.20 | £2.15 (From Sept 17 - reviewed annually) | Meeting on 22.3 with contractor to agree Sept 18 primary meal price | Not yet known - procuring for new contractor | £2.00 | Consulting with Contractor and report to elected members regarding meal price from Sept 18. Aiming for minimal increase | £2.10 (From 1.4.18) |

* Statistical neighbours

9.3 REVENUE IMPLICATIONS

| Employee costs | 2018/19 | 2019/20 |
|---|---------|---------|
| | £000 | £000 |
| | 130 | 130 |
| Expenditure | | |
| Income from: School Meals Contract SLA | 130 | 130 |
| Total Income | 130 | 130 |
| Net Cost(+)/saving (-) | 0 | 0 |

9.4 CAPITAL FINANCE

There are no capital finance implications.

9.5 RISK ASSESSMENT

9.51 There are no additional costs for proceeding with the extension period. However, if an extension period was not undertaken then there would be costs associated with a re-procurement exercise.

9.52 There is insufficient time available to reprocure the contract between now and the proposed contract extension period commencing on 1 August 2018.

10. BACKGROUND PAPERS

10.1 Report on Adoption of the Living Wage- Personnel Committee July 2014.

10.2 Decision Book Report on first School Meals Contract extension with Chartwells - March 2016.