



## Mayor and Cabinet

### **Report title: The Future Delivery of School Meals**

**Date:** 07<sup>th</sup> October 2020

**Key decision:** Yes

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Executive Director for CYP, Director of Law, Governance and HR.

## **Outline and recommendations**

This report follows a previous submission to Mayor and Cabinet in November 2019, leading to the decision to pursue a hybrid insourced model for delivery of school meals and the associated kitchen maintenance subject to sufficient numbers of schools choosing to sign up to the proposed model. A further submission to Mayor and Cabinet in March 2020 resulted in extension of the current contracts until July 2021.

The contract is not at a direct cost to the Authority as all funding is collected from schools to meet the expenditure. The contract is procured and managed on behalf of maintained, voluntary aided and academy schools.

After extensive consultation, it is clear that there is insufficient support from schools for the proposed model. There may however be considerable interest in a continued central contract, which has important advantages in terms of finance, food quality and health (including vegetarian and vegan offers). Accordingly,

Mayor and Cabinet are recommended to;

- Grant permission to pursue a new central contract for school catering and the associated kitchen maintenance for a further period of 4 years with an option to extend for a period of up to 2 further years.

## **Timeline of engagement and decision-making**

- March 2019 – September 2019 – School Meals Options Appraisal
- September 2019 – October 2019 - School Leaders Consultation
- 20 November 2019 - M&C report – The Future Delivery of School Meals
- 26 November 2019 – School Leadership Forum
- 13 January 2019 – Chair of Governors Briefing
- 16 January 2019 – School leaders catering options conference
- 14 February 2020 – Detailed Catering Briefing Document with financial analysis sent to School leaders
- 25 March 2019 – M&C Extension Report
- March 2020 – July 2020 – Further briefing and consultation with school leaders and governors including governors briefing
- 1 July 2020 – Schools to decide on Insource Model (yes or no)
- July 2021 – End of contract

## **1. Summary**

- 1.1 The Education Act 1996 requires a local Education Authority or School governors to provide school meals. 'A school lunch must be provided for pupils where a meal is requested and either the pupil is eligible for free school lunches, or it would not be unreasonable for lunches to be provided' – therefore lunch provision is a necessity in all Lewisham schools.
- 1.2 The current school meals delivery contract with Chartwells, a subsidiary of Compass Group UK, commenced in May 2015 and following an extension agreed by Mayor and Cabinet in March 2020 expires on 31<sup>st</sup> July 2021. It has a value of around £6 million per annum.
- 1.3 The current contract with Thermoserv Ltd for Planned Preventative Maintenance (PPM) and Responsive Repairs for those school kitchens included in the catering contract expires on 31 July 2021. It has a value of £224,000 per annum.
- 1.4 School Meals are delivered to 51 schools through the centralised contract between the Council and Chartwells. This number has dropped from 65. Those schools that participate enter into a Governing Body Agreement (GBA) with the Council. 2 Secondary Schools are currently included.
- 1.5 The council could decide not to offer a centralised contract and delegate responsibility for school meals to schools so that it would be for them individually or in groups to procure or provide directly from their own staff. Currently however 62% of schools buy into the central contract and when surveyed in March 2019, 61% of schools indicated a strong preference for continuing with a centralised arrangement.
- 1.6 A centralised service provides advantages to schools and school children across the Borough including increased economies of scale in terms of cost, time, standardisation of systems/services and compliance. There are School Food Standards for school meals as well as statutory requirements in terms of equipment testing and a wide range of food safety regulations to comply with. In addition the centralised service operates a financially supportive model for schools. There may be wider advantages for the local economy in having control of food providence and closer adhesion to the corporate priorities.

## **2. Recommendations**

Mayor and Cabinet are recommended to;

- Approve the procurement of a school catering contract for a period of 4 years with an option to extend for up to an additional period of 2 years. The contract will have a maximum value of £48 Million over the 6 year period.
- Approve the procurement of a schools kitchen maintenance contract for a period of 4 years with an option to extend for up to an additional 2 years. The contract would have a maximum value of £1.44 Million over the 6 year period.

## **3. Policy Context**

This proposal addresses Lewisham's Corporate Strategy 2018-2022 as follows;

### **3.1 Open Lewisham**

On examining the delivery of the catering service with this corporate priority in mind we note the following;

- Although insourced services or schools 'going it alone' would make tailoring of menus to reflect the wants and needs of the communities in particular areas easier, improvements can be made to the current contract specification to better allow for the cultural diversity of pupils in our schools.
- A largely centralised service can include a financially supportive option for schools. This means that contract costs are recharged to schools using a 'Pupil on Roll' model rather than individual schools cost for delivery and is particularly beneficial to schools with high numbers of SEND pupils as meals at these schools are much more expensive to deliver due to a) the smaller number of students, b) the high number of special diet requests and c) the labour intensity required to prepare and serve. This recharging method is also favourable for smaller schools whilst the increased cost for larger schools is offset by economies of scale offered by staying in as large a group as possible.

### 3.2 Giving Children and Young People the Best Start in Life

- The contract would continue to deliver a nutritious hot meal each day.
- Funding for Universal Infant Free School Meals (UIFSM) to reception, year 1 and year 2 pupils enables more pupils to enjoy a nutritious meal without charge to parents, helping with Lewisham's focus on Child Poverty. A centralised offer ensures that this funding is used only for nutrition as any surplus is used within the meal service and any shortfall is covered.
- Skills and expertise employed within the current provision ensures that menus are compliant with the Schools Food Standards, and Silver Standard Food for Life Partnership level. This contributes towards Lewisham's Health and Wellbeing Strategy in terms of improving health and achieving a healthy weight. Lewisham has a higher than average level of childhood obesity - a healthy, well balanced menu complete with a salad bar, milk and fruit offers provides good framework for healthy living and additionally aids concentration in afternoon lessons. The food for life silver standard is delivered currently and continuing with this is desirable. Some of the 'go it alone' schools in the Borough do not have the accreditation.

### 3.3 Building an inclusive Local Economy

- The current catering contract is one of the largest employers in the Borough (3rd) with over 300 employees currently. The contractor would continue to pay London Living Wage.
- A centralised offer helps to protect and preserve employee's terms and conditions uniformly across the Borough.
- Employees receive the London Living Wage as a minimum. This has been found to help to simulate growth in the local economy and improve health outcomes.

### 3.4 Delivering and defending health, social care and support

- Currently signed up to 'sugar smart', any new contract entered into would be obliged to continue to deliver on this commitment.

### 3.5 Making Lewisham Greener

- In line with Lewisham's recognition of the climate emergency, and commitment to radical action to reduce carbon and other emissions that contribute to global heating, the

- contract offers 'meat free' Monday. Updates to the current contract specifications could extend this to a second day.
- The current contract has worked hard to reduce food miles. Efficient trucks/reduced emissions, more efficient deliveries etc. This action assists in Lewisham's focus on improving air quality. Further changes to the catering service can be delivered through an updated contract specification and these could include
  - Improved food providence
  - An increased use of biodegradable disposables where use is essential.
  - Even more energy efficient transport

## 4. Background

- 4.1 The school meals service has been outsourced to Chartwells since 2009 and prior to that Scolarest (a previous subsidiary of Compass Group UK) since 1999.
- 4.2 The Thermoserv contract which provides PPM and repairs to kitchen equipment for all primary schools in the contract is considered to be performing well. It forms an essential part of meal delivery and complements the larger meal delivery contract.
- 4.3 A survey to assess satisfaction and gauge opinion on the future delivery of the service was carried out in March 2019 as part of the early options appraisal process. 94% of the schools in the contract responded. Following presentation on the options available and the Councils preferred option, schools became largely in favour of an extension as they felt they did not have enough time to consult fully and consider their decision.
- 4.4 The Chartwells contract is cliented centrally by the Lewisham Catering Management Team who carry out regular inspections measuring performance against a wide range of KPI's including quality of the food service, food safety, compliance with legislation, health and safety measures and complaints resolution. Additional catering contract inspections are carried out by colleagues in Environmental Health. A performance management system is in place and the contractor receives financial penalties when that performance falls below the standard required and fails to rectify within the prescribed rectification period.
- 4.5 The school meals contract has around 300 employees.
- 4.6 During March – September 2019 an Options Appraisal was carried out for the delivery of these services as a result of which, in November 2019, Mayor and Cabinet agreed the recommendations to;
- Insource the delivery of school meals in line with the model described for September 2020 subject to sufficient numbers of schools signing up to the model.
  - Insource the delivery of kitchen planned preventative maintenance and responsive repairs for September 2020 subject to sufficient numbers of school signing up to the catering model.
  - Extend the current catering contract on the existing terms and conditions with Chartwells for 3 months until 31st July 2020 at a maximum cost of £2.6 million in order to allow time for the insource model to be implemented and mobilisation to take place over the summer holidays.
  - Extend the current kitchen maintenance contact on the existing terms and conditions with Thermoserv for 3 months until 31st July 2020 at a maximum cost of £100,000 in order to allow time for the insource model to be implemented and mobilisation to take place over the summer holidays.
- 4.7 Full insourcing of a centralised service (Insource Model A) was explored and dismissed

in the Options Appraisal. In this model the full service would be insourced to a central Lewisham team including all of the staff and the support services. Financial analysis of this model was carried out and the cost of labour including kitchen staff, supervisors, area managers and any other support required to manage the teams was considered to push the cost beyond what is affordable for schools.

- 4.8 In order to mitigate the increased labour costs in Insource Model A, a second insource model was devised. This arrangement would have provided an opportunity to insource with less cost than the fully insourced and centralised option. Although an insource model, kitchen staff would not be managed centrally as in option A and would be managed by the school they were based in. The need for management tiers above the 300 kitchen staff would be removed reducing the cost identified in model A and giving control of the service back to school leaders and the Authority.
- 4.9 However schools would have been required to take on a number of additional responsibilities including;
- HR/Employment
  - TUPE staff transfer and any future recruitment
  - Payroll payments to staff on an agreed frequency including pension contributions, annual leave entitlement and statutory sick pay
  - Line management of the Catering Manager
  - Emergency Closures
  - Risk
- 4.10 Although the insource model could have been delivered by the end of the agreed extension to July 2020, school leaders felt that they should consider the individual impact on each of their schools and most were reluctant to take on the responsibilities above and in particular the management of the catering staff and the risks associated with delivery.
- 4.11 In order to assist with the decision making process a full report on catering options was distributed to school leaders and officers attended meetings with chairs of governors and heads and provided a catering options Q&A and staged a review conference in January this year.
- 4.12 At the review conference, schools asked for more time to consider the options and to consult with governors and users of the service. Several timelines were considered and it was agreed that school holidays provide a better opportunity to mobilise new services smoothly. Schools were clear that their preferred timeline included an extension of the contract to July 2021 and mobilisation of the chosen option over the school holidays. As a result of this, in March 2020, Mayor and Cabinet agreed to:
- Extend the current catering contract with Chartwells for a further 12 months until July 2021 in order to allow time for school leaders to fully analyse and consult on the insource model and compare it to alternative delivery methods.
  - Extend the current kitchen maintenance contact with Thermoserv Ltd for a further 12 months until July 2021 in order to allow time for school leaders to fully analyse and consult on the insource model and compare it to alternative delivery methods.
- 4.13 There has been much contention amongst school leaders with the insource model which proposed that kitchen staff were managed by the school and passed on some of the associated delivery risks, including management of special diets, absence, payroll, HR, TUPE, and recruitment. Many schools were reluctant to take on and resource these

additional responsibilities despite the advantages offered (following corporate priorities more closely, increasing control over the service, tailoring individually and enhancing some of the terms and conditions for the kitchen employees). Some leaders and Governing bodies were unwilling to consider the model and have proceeded with an outsource model independent of the Authority and using a private contractor to procure and client on their behalf. The number of primary schools remaining in the contract has dropped to 49 from 61. As secondary schools were recommended to seek individual bespoke solutions for the delivery of their services, 6 of the 8 originally included have also outsourced independently.

- 4.14 A further 16 schools have indicated that they will seek to procure and manage an outsourced contract independently with a commercial provider although it is worth noting that a centralised outsource model was not previously offered.
- 4.15 The financial viability of the insource model was reliant on spreading the cost of the centralised aspects of service (menu design, nutritionist services, a food buying service, absence cover, etc.) amongst a sufficient number of schools. With only 2 schools indicating an interest in taking up the option it cannot be considered what is best for the group as a whole, as well as being considered unaffordable for those who might opt for it and must therefore be dismissed.
- 4.16 The service is delivered at no cost to the Council centrally as all spend is reclaimed from schools using a financially supportive model. This means that schools contribute to the cost of delivery based on pupil numbers and not on the cost of production at each school. This is beneficial to our smaller schools and to schools with high numbers of pupils with Special Educational Needs where the delivery incurs increased labour costs. A largely centralised service can include a financially supportive option for schools. This means that contract costs are recharged to schools using a 'Pupil on Roll' model rather than individual schools cost for delivery and is particularly beneficial to schools with high numbers of SEND pupils as meals at these schools are much more expensive to deliver due to a) the smaller number of students, b) the high number of special diet requests and c) the labour intensity required to prepare and serve. This recharging method is also favourable for smaller schools whilst the increased cost for larger schools is offset by the economies of scale offered by staying in as large a group as possible.

## **5. Continuing a centrally-commissioned contract**

- 5.1 Some of the advantages of the insource model could be retained with a revised / improved specification for a centrally outsourced contract. These advantages include;
- Maintaining the skills and expertise in monitoring the quality and risks associated with delivering the catering service. A centralised model would provide support on ensuring the contractor adheres to due diligence systems such as HACCP, COSHH and other environmental health matters as well ensuring compliance with the School Food Standards.
  - Standardising a high quality service across more schools in Lewisham.
  - The central team would keep up to date with industry best practice and legislative changes.
  - An improved specification could mean schools may be able to benefit from enhanced flexibility in the running of their service. Examples of this include increased individual school menu choice, more flexibility for marketing activities/links with the curriculum etc.
  - An improved specification could be sought which enables service delivery to be closer to environmental considerations and the sustainability commitments of the local authority. There could be more freedom to deliver further on the corporate priorities boosting the local economy by building in an obligation to source more food locally and reduce food miles

- An overall better quality end product including maintaining or improving on 'Food for Life' silver accreditation and enhanced vegan / vegetarian options.
  - Maintaining the financially supportive model currently in place and protecting smaller schools from the negative financial impact of going it alone.
  - Pooling of resource to provide for Holiday Hunger
  - Organisations in the private sector offering procurement and clienting services will look to make a profit and will need to add this to catering contractor's costs whereas the Authority delivers this at base cost.
  - The currently centrally employed client team can maintain a close working relationship with colleagues in public health and this helps to contribute towards Lewisham's Health and Wellbeing Strategy in terms of improving health and achieving a healthy weight. Lewisham has a higher than average level of childhood obesity - a healthy, well balanced menu complete with a salad bar, milk and fruit offers provides good framework for healthy living and additionally aids concentration in afternoon lessons. The food for life silver standard is delivered currently and continuing (or improving) this will form part of contract specification.
  - A revised specification could provide more opportunities for apprenticeships.
  - Economies of scale for schools which would not be available if 'going it alone'.
- 5.2 The management of the kitchen FM contract should be steered in line with the recommended option for catering as it forms such an integral part of meal delivery and provides a more seamless delivery of this service particularly if managed by the same contractor (which would be offered) e.g. if an oven breaks down and meals cannot be delivered, the catering contractor is not paid for them. For this reason the catering contractor has a strong interest in keeping equipment maintained in good working order and being able to control risk to service as a whole. The advantages of maintaining a centralised model for this service include:
- Scope for dedicated engineers based locally.
  - Greater ability to set and respond to priorities
  - A more seamless service as the same central team would manage meals and repairs
  - A revised specification could provide more opportunities for apprenticeships
- 5.3 At this point the clearest option (particularly in these difficult times with COVID-19 and Brexit) may be to consider continuation of a centrally managed outsourced contract. The offer of which could be extended to all schools and not just those that haven't indicated what they will be doing – as some of the schools looking at individual contracts may have stayed with a central contract if originally offered.
- 5.4 To ensure that any contract procured is of fair value, then it would be recommended that a contract of 4 years with an option of a further 2 years be considered, as this will garner sufficient interest and ensure a provider is motivated in the initial period. The contract would incorporate the ability to vary in additional schools and Council managed catering services.
- 5.5 A decision should however be made regarding whether the council should be providing this support longer term, and whether any further centralised contract should be the last. If so, schools will have had considerable time to consider how best to deliver the service and mobilise accordingly.

## 7. Key Dates

Subject to Mayor and Cabinet approving this procurement option officers have set out below an indicative timetable:

01/11/2020	Written confirmation from schools outlining Final decision on delivery model chosen
01/11/2020-18/12/2020	Consultation with schools and refinements to contract specification
15/01/2021	Tender Opportunity advertised
5/2/2021- 12/2/2021	Shortlisting
31/3/2021	Tender Returns
01/04/2021	Tender evaluation, school leaders and governors included
21/05/2021	Tender award
14/06/2021	Mobilisation
01/08/2021	Contract start date

## **8. Financial implications**

- 8.1 The report details the next stages to secure a school meals contract.
- 8.2 Depending on the outcome of the tender process, the final offer will be communicated to schools for agreement. At this stage it is not possible to determine the final pricing.
- 8.3 It should be noted that the contract is tendered on behalf of schools who meet the full cost.
- 8.4 There are no financial implications arising from this process for the General Fund.

## **9. Legal implications**

- 9.1 The report seeks approval to procure a school meals contractor and a kitchen FM contractor. Given the potential spend on both contracts over the term of the contracts both would be categorised by the Contract Procedure Rules as a Category A contract. The report explains why a procurement for both contracts is the recommended option.
- 9.2 Assuming that Mayor and Cabinet accepts the recommendation for future delivery of catering services and kitchen FM services by an external provider, Contract Procedure Rules (“the Rules”) place requirements on how that should happen. The Rules require that when letting contracts steps must be taken to secure value for money through a combination of cost, quality and competition, and that competitive tenders or quotations must be sought depending on the size and nature of the contract (Rule 5). Given the potential spend on these contracts the Public Contracts Regulations 2015 (“the Regulations”) will also apply. The requirements of both the Rules and the Regulations would be satisfied by the process set out in the report. The process for procurement and the award of the contract would have to be in accordance with the Contract Procedure Rules. As Category A contracts, it would be for Mayor and Cabinet to take a decision on the award of any contract following the conclusion of the procurement process.

- 9.3 The Public Services (Social Value) Act 2012 requires that when the Council is procuring services above the EU threshold it must consider, before commencing a procurement process, how the procurement might improve the social, economic and environmental wellbeing of the area and consider how the procurement might be conducted so as to secure that improvement. The matters to be considered must only be those relevant to the services to be procured and it must be proportionate in all the circumstances to take those matters into account. The Council has adopted a Social Value policy which must also be applied; and the Council's Sustainable Procurement Code of Practice will be applied to the contract.
- 9.4 The Council has a public sector equality duty (under the Equality Act 2010 (the Act)). It covers nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 9.5 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 9.6 The duty is a "have regard duty", and the weight to be attached to it is a matter for the decision maker, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 9.7 The Equality and Human Rights Commission has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>.
- 9.8 The Equality and Human Rights Commission (EHRC) has issued guides for public authorities in England giving advice on the equality duty. The 'Essential' guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>

## **10. Equalities implications**

The Council's Equalities objectives would be fully considered and addressed throughout the procurement process.

1. Tackling discrimination, victimisation and harassment
2. Improving access to services
3. Closing the gap in outcomes
4. Increasing mutual understanding and respect
5. Increasing citizen participation and engagement

## **11. Climate change and environmental implications**

- 11.1 In line with Lewisham's recognition of the climate emergency, and commitment to radical action to reduce carbon and other emissions that contribute to global heating, the contract will continue to offer 'meat free' Monday and intends to extend and develop more vegetarian / vegan food options
- 11.2 The current contract has worked hard to reduce food miles. Efficient trucks/reduced emissions, more efficient deliveries etc. This action assists in Lewisham's focus on improving air quality. Further improvements to the catering service currently being considered include an increased use of biodegradable disposables where use is essential, improving on food providence and placing further obligations concerning energy efficient transport on the potential contractors.

## **12. Crime and disorder implications**

No crime and disorder implications arise from this report or the proposed contract extensions

## **13. Health and wellbeing implications**

Skills and expertise employed within the current provision ensures that menus are compliant with the Schools Food Standards, and Silver Standard Food for Life Partnership level. This contributes towards Lewisham's Health and Wellbeing Strategy in terms of improving health and achieving a healthy weight. Lewisham has a higher than average level of childhood obesity - a healthy, well balanced menu complete with a salad bar, milk and fruit offers provides good framework for healthy living and additionally aids concentration in afternoon lessons. The food for life silver standard is delivered currently and continuing with this is desirable.

The proposed contract will continue to deliver a nutritious hot meal every day.

The contractor is currently signed up to sugar smart and the proposed new contract will continue to deliver on this commitment.

Meals will continue to be delivered in line with national 'school food standards'

## **14. Background papers**

School Meals Options Appraisal

The Future Delivery of School Meals – M&C report - Nov 2019

School Catering Briefing Report – Feb 2019

## Glossary

<b>Term</b>	<b>Definition</b>
PPM	Planned Preventative Maintenance (Maintenance carried out to equipment to ensure good working order. This is sometimes statutory.)
LLW	London Living Wage
FSM	Free School Meals
UIFSM	Universal Infant Free School Meals – available to all children in Key Stage 1
APSE	The Association for Public Sector Excellence

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