

Report to Director of Education & Skills

March 2021

Contract Extension for the Provision of Primary Phase School Meals

Report by Head of Catering Services

Electoral divisions: All

Summary

Following a competitive procurement process in 2016 a contract for the supply of primary phase school meals supplying around 200 schools was awarded to Chartwells. The initial award was for a period of 5 years, with the option to extend for up to a further 5 years. The initial 5-year term of the contract is due to expire in July 2021.

Following extensive recent stakeholder engagement, marketplace consultations and significant supplier negotiations the County Council proposes to extend the contract with Chartwells for the available full 5-year period.

Recommendation

The Director of Education and Skills is asked to approve the extension of the Primary Phase School Meals contract for a period of 5 years ending in July 2026.

Proposal

1 Background and context

- 1.1 In 2015 the Cabinet Member for Education and Skills approved the commencement of a procurement process for the provision of Free School Meals and Universal Infant Free School Meals. As part of the decision the Cabinet Member delegated authority to the then Director of Strategic Planning and Place to let the tender and to extend if appropriate in accordance with Standing Orders on Procurement and Contracts and subject to this being affordable within the limits of the planned budgets. ([decision ES01\(15/16\) refers](#))
- 1.2 In 2016, following a competitive procurement process, the main primary phase catering contract, supplying around 200 schools, was awarded to Chartwells. The initial contract term was for a 5-year period running up until July 31 2021, with the option to extend for up to a further 5-year period taking the contract up until a maximum permissible date of July 31 2026
- 1.3 Implementing this contract led to a saving of £1.4m on the previous contract, as well as significant capital investment of around £0.5m. Subsequently around

£0.380m has been spent on in- school dining room enhancements during the past 5 years. Around £0.120m capital investment remains and will be added to additional new capital investment to be spent during the contract extension period

- 1.4 Since 2016 WSCC Catering Services and Chartwells have worked in partnership to mitigate price increases, with only one 5 pence (2%) meal price increase being implemented, in the face of significant RPI, food and labour increases over the past 4 years
- 1.5 During the contract period the County Council have been recognised nationally by Public Health England for sugar reduction on menus, achieving a total 69% reduction. The contract partnership has also been shortlisted finalists for several industry awards
- 1.6 A study carried out by the University of Leeds, published 2020, shows that only 1.6% of primary school packed meals that come from home comply with the School Food Standards 2014 that the Councils hot meals comply with. Packed meals in 80% of cases included no fruit or vegetables. Sugar content was around 40g, compared to under 10g hot school meals provided under this contract contain. Many packed meals contained no dairy or calcium alternative, contained high levels of saturated fats, and lacked vitamins A, C and Zinc.
- 1.7 Hot school meals provided by this contract meet the School Food Standards 2014, ensuring a nutritious and balanced menu is provided for the 190 days children can access the school meals. With around 1 in 3 Children in West Sussex leaving year 6 obese or overweight it is essential that we continue to provide a healthy option for parents to choose for their child at school, and importantly for FSM and UIFSM to take as part of their entitlement.
- 1.8 The contract provides around 27,000 meals a day for around 200 schools, with an annual value in excess of £10m.
- 1.9 School leaders and parents are surveyed annually and general feedback on the service quality and consistency provided by the contract is positive. Chartwells have also consistently met Key Performance Indicators that form part of the contract monitoring process.
- 1.10 Chartwells have delivered a programme of Healthy eating modules delivered in schools face to face since the beginning of the contract. 'Eat Right, Stay Bright' was created by their in-house Public Health Registered Practitioner, in association with the Council. Sessions include hosting school assemblies talking about healthy foods, teaching the youngest children knife and fork skills, explaining and showing children how to grow seeds and where food comes from, supporting the Councils Fair Trade commitments. On average this programme consists of around 200 school visits per year. West Sussex Public Health team liaises with Catering Services to ensure the programme is delivering messages in line with the Councils Public Health priorities, including reducing obesity in Children in West Sussex.

2 Proposal details

- 2.1 It is proposed to extend the contract as arrangements are working well. Chartwells will implement a range of innovative developments to enhance the service over the extended 5-year term such as creating a secure GDPR compliant parent portal for logging and uploading documents for a child's

medical diet requirement initially. The personalised ordering facility would then be rolled out to all users. Discussions with Chartwells indicate that they would intend to continue to seek opportunities for further service improvements during the extension period.

2.2 Extending the contract for the full 5-year period will both ensure local employment opportunities are maintained and enable the award-winning healthy eating educational program provided by Chartwells to continue. In addition, the extension would enable the realisation of the following benefits:-

- Creation and implementation of a meal ordering website and app for parents to ensure compliance with special diet requirements and to enable parents to choose specific meals for their child/children.
 - All pupils, with or without medical diets, will be able to pre order meals
 - Creating a secure GDPR friendly parent portal for logging and uploading documents for a child's medical diet requirement
 - Enhanced visibility to catering staff and school of any pupil's menu choices and medical diet meal requests, reducing risk
 - Parents will select and approve required meals and pay via a payment portal leading to increased customer satisfaction, meal uptake and waste reduction
- Cost avoidance of £0.325m over 5 years by;
 - Reducing Year 1 meal price from £2.35 to £2.33
 - moving from a RPI price increase mechanism to a blended approach with CPI on 65% on Food, Waste and Sundries / 35% Labour (NLW)
 - Standardise Chartwells Steamplicity service to all participating schools
- A rebate based on increased sales volume will be introduced and will be shared amongst participating schools
- £0.670m available for capital investment to enable 11 kitchen pods, subject to final site inspections and school agreements, plus the repurposing of 2 existing kitchens. The capital funds would also include point of service enhancements to all participating schools through new light service equipment. Any underspend on the capital projects would be used for further capital projects or be converted to a contract advance payment to the Council and could be re distributed to participating schools.
- Commitment to continue passing back to schools participating in the Chartwells contract any efficiencies made from reducing waste collections, menu efficiencies, staff efficiencies, etc, to West Sussex via contract inflation mitigation
- Switching all schools to the Steamplicity model will increase meal quality by enabling meals to be steam cooked on site. It will also contribute to the

UIFSM and FSM entitlement uptake growth. This in turn will benefit a larger number of children through a nutritious hot meal.

- 2.3 During the extension period the County Council will review its future requirements, consult with schools, engage with the market, and consider options for future provision of the service post 2026.
- 2.4 Since the original Cabinet Member decision in 2015, changes to the senior management structure and scheme of delegation mean that authority to approve the extension of the contract is now sought from the Director of Education and Skills.

3 Other options considered (and reasons for not proposing)

- 3.1 Re-procure the contract – the school meal market has suffered greatly from the impact of Covid with several providers currently under considerable financial strain and providers cautious of bidding for new work, choosing to consolidate existing business. To ensure the County Council can meet its statutory requirements it was considered that extending the contract with a strong organisation and the UK's largest school meal provider who will be able to navigate the current and upcoming market conditions was preferable.
- 3.2 The existing school kitchen infrastructure does not currently allow for any known alternative operating model. A change of operating model would require considerable capital investment. This option was considered in 2015/2016 but was discounted due to the lack of capital funding for such transformation by potential suppliers. A cost approximation of minimum £0.050m per school would be required, circa £10m minimum for participating schools in total. Following our recent market engagement suppliers confirmed that the position has not altered since 2015, and they cannot provide sufficient capital funding to make the required changes to the school kitchen infrastructure to provide a cook on site meal option.
- 3.3 The option for a 3-year extension was investigated. However, market research showed realistically no other provider would be able to develop, trial and implement a new solution that could replace the current Steamplicity model of provision to enable a new contract to commence within that timeframe as no 'off the shelf' solution exists in the marketplace.

4 Consultation, engagement, and advice

- 4.1 During the spring and summer 2020 initial conversations were held with Chartwells about what developments both partners felt would enhance and improve the food offer across participating schools. Discussion was also held around a potential rebate model based upon meal volume growth. Understanding what key objectives might be possible before consulting with schools was essential.
- 4.2 During October and November 2020 Catering Services undertook a school consultation on '[Have Your Say](#)'. The survey (see appendix) asked schools key information about if they would support a contract extension, and what they would like to see a contract extension deliver from a range of options that had been identified through discussions with Chartwells. 96% of responding schools said that they would support a contract extension period of either 3 or 5 years.

- 4.3 83% of schools supported the principle that a key area for capital investment should be to enable the remaining 13 schools with no school Steamplicity kitchen to receive the investment needed to install site pod kitchens/ adapt existing kitchens.
- 4.4 78% of responding schools agreed with the principle of sharing a financial rebate benefit of providing additional meal growth. Committing to help grow the meal volume across the contract to share in those benefits.
- 4.5 Only 4% of responding schools did not agree that the added value programme of healthy eating provided by Chartwells should continue, with some schools suggesting it should be increased in activity.
- 4.6 96% of responding schools said that the proposed meal ordering website and app for parents to ensure compliance with special diet requirements should be implemented as part of the contract extension.
- 4.7 Recent market engagement of suitably experienced school meal providers and market leaders - confirmed that without any changes to school kitchen setups, they would not be able to submit a tender should there be the opportunity.
- 4.8 The proposal has been endorsed by the County Council's Procurement Board and Commercial Panel.

5 Finance

Revenue consequences

- 5.1 The current contract has an annual value in excess of £10m, and this is funded through the Universal Infant Free Schools Meal (UIFSM) grant for those pupils in Year R to Year 2, and through the Schools budgets (for pupils entitled to Free School Meals) and parental income for those pupils in Year 3 to Year 6.
- 5.2 Financial modelling on the proposed contract terms set out in this report, assuming a 2% annual growth in base meal numbers, has shown that additional savings of £0.325m will accrue over the 5 years of the contract extension.

	Academic Year 2021/22 £m	Academic Year 2022/23 £m	Academic Year 2023/24 £m	Academic Year 2024/25 £m	Academic Year 2025/26 £m
Existing Contract	£10.424	£10.813	£11.306	£11.862	£12.483
New Contract Extension	£10.335	£10.768	£11.306	£11.815	£12.339
Change from Proposal					

	Academic Year 2021/22 £m	Academic Year 2022/23 £m	Academic Year 2023/24 £m	Academic Year 2024/25 £m	Academic Year 2025/26 £m
Annual Saving	£0.089	£0.045	£Nil	£0.047	£0.144

5.3 A new rebate system has also been agreed as part of the contract extension which would see the County Council receive £0.35 for each meal over and above the base meals of the contract in 2021/22. This return per meal would then be increased each year in-line with the tariff increase agreed with the County Council.

5.4 A 5% increase in volume over the first year of the contract would equate to a £0.77m rebate for that year and would be distributed to the participating schools within the contract.

Capital consequences

5.5 The County Council will not be required to contribute any capital funding to the contract. The £0.670m of capital investment required for 11 kitchen pods and the repurposing of 2 existing kitchens will be paid for by Chartwells. Any underspending on this investment will be used to fund any further capital projects or will be converted to a contract advance payment to the County Council which will be re distributed to the participating schools.

The effect of the proposal

(a) How the cost represents good value

5.6 The cost of the contract extension represents good value in several ways:

- Benefit from the £0.670m capital investment offered by Chartwells;
- Introduction of a contract rebate to reward schools for encouraging meal take up;
- Standardise Chartwells Steamplicity offering to all participating schools;
- Meal price reduction of 2 pence in 2021/22 delivers an instant saving in year 1 and an on-going saving to help pay for increases in the National Living Wage over the remaining life of the contract;
- Award winning added value healthy eating program will continue to support schools and the Councils Public Health strategy in relation to maintaining healthy weights and obesity prevention, exercise, and healthy food awareness; and
- Continues to use, and build upon further, a high percentage of British foods supplied in the contract- around 80%
- Improved website, and ordering app introduced.

(b) **Future savings/efficiencies being delivered**

- Opportunity to benefit from associated waste reduction because of the improved ordering system being introduced
- Year on year on-going cost savings because of the 2 pence reduction in meal price to £2.33 in 2021/22
- Opportunity to benefit from a rebate of £0.35 pence per meal based upon meal volume increases
- Moving from RPI to a blended model to minimise cost increase potential – Still to be evidence and negotiated every year

(c) **Human Resources, IT and Assets Impact**

- Chartwells will continue to employ around 600 West Sussex residents. Due to the changes in 13 schools to the Steamplicity model there are likely to be additional school-based roles created, that offset any role deletions because of the closure of the 2 hub kitchens.
- The new Chartwells ordering system will be hosted on their own server so no impact is anticipated to WSCC IT services. Catering Services will ensure that the WSSC.Gov website is updated with the relevant links for parents to access.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Following detailed site survey's, it may not be possible to install the kitchen pods in all 11 sites	Chartwells are holding a small capital contingency amount aside for unforeseen circumstances It may be possible to retain several schools on delivered in hot meals and still make the commercial offer viable It may be possible to convert an existing space in the school rather than install an external pod.
The ordering website and app may not be ready for September 2021 as it is a bespoke new build	There is already a robust ordering system in place; the new system is an enhancement however it does not cause a risk of contract non-delivery if it is not in place by September 2021. WSCC Catering Team will be working with Chartwells during the mobilisation period to develop the system with the aim of introducing the initial parts of the project in time for September 2021.
Government school meal funding may not receive cost uplifts in line with inflation and wage increases, increasing pressure on school budgets	During negotiations WSCC have negotiated the best possible terms to control inflationary rises without negative effect to the meal offer. Any supplier requested contract cost uplift will need to be robustly evidenced to the Council and evaluated prior to acceptance. There is no automatic annual uplift mechanism.

Risk	Mitigating Action (in place or planned)
	WSCC continue to engage with the national voice for schools' meals – LACA, in order to lobby for school meal funding to rise in line with living wage and commodity cost of living increases

7 Policy alignment and compliance

7.1 Legal Implications - none anticipated

Equality Duty and Human Rights Assessment

7.2 The school meal service is available for all children attending schools. Children eligible for means tested FSM and children in KS1 (UIFSM) receive meals free of charge. Children in KS2 are able to purchase meals or bring in packed meals from home. Within this contract all medical special diets are catered for, along with appropriate meal provision for children with cultural dietary requirements. The service is all inclusive and a focus is placed upon ensuring a varied, nutritious and interesting menu is provided. Meal provision therefore is available to all children who share protected characteristics, or do not share them, leading to equality of opportunity to access the meals.

Climate Change Strategy

7.3 Reduction of carbon footprint will be achieved through the introduction of Steamplicity in to the 13 schools that do not currently have this system. By making this change there will no longer be the need for daily hot meal deliveries across West Sussex, as the meals will be cooked on site.

7.4 Through the new meal ordering system that will be introduced as part of this contract extension, allowing parents to pre order the actual meal their child wants to eat, it is anticipated that a more precise number of each meal choice is prepared thus saving on food waste. This will also lead to more children enjoying the actual meal they ordered, and benefiting from nutritious and healthy school meals

7.5 All food waste and mixed dry recyclables generated by the meals service, cardboard, tin and plastic are recycled through dedicated bins provided by Chartwells through their contract with Suez.

7.6 Chartwells have committed to continue to reduce unnecessary packaging in the service, as well as developing alternative packaging to plastic during the contract extension.

7.7 **Crime and Disorder** – No implications

Public Health

7.8 Chartwells will continue with their award winning 'Eat Right, Stay Bright' healthy eating added value programme in our schools. The programme in West Sussex is delivered by a dedicated Chartwells West Sussex nutritionist.

Social Value

- 7.9 The current high level of unemployment post Covid is expected to increase the number of children eligible for Free School Meals with the health and learning capabilities of qualifying children becoming more dependant than ever on the provision of nutritious, balanced, hot school meals. This demand has already started to take effect. Chartwells have committed to continued support of the Council's aims regarding social value throughout the life of the contract.

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Appendix : Consultation Questions

Background Papers None