

WILTSHIRE COUNCIL

SCHOOLS FORUM

02 December 2010

SODEXO FACILITIES MANAGEMENT SERVICES CONTRACT; OPTIONS FOR SCHOOLS FROM 9th APRIL 2011 FOR CATERING AND BUILDING CLEANING SERVICES

Purpose of Report

1. To consider the options available to schools when the Sodexo Facilities Management Services concludes to schools with effect from 8th April 2011.

Background

2. In 2001, following a competitive tender procedure, Sodexo was awarded a seven year contract to provide a range of support services to the County Council and schools, the services included:

- i) School Catering
- ii) Building Cleaning Services
- iii) Grounds Maintenance Services
- iv) County Hall Facilities Management

The grounds maintenance service provided by Sodexo under contract extension ceased with effect from 30th June, 2010 when the work transferred to the Council's in-house workforce.

3. The original contracts were due to end in March 2008. In February 2008, Cabinet resolved to approve a 2-year extension to the existing contract following consultation with the Overview and Scrutiny Committee.

4: Schools, wishing to remain in the contract extension period, committed themselves to a fixed length of time. The contract extension allowed time to work with schools to develop tender strategies more suitable for their needs. At contract extension end date schools had the opportunity to leave the Sodexo contract.

The table below identifies the trend that schools prefer to make their own service provision arrangements:

	Schools at contract commencement 2001	2008 (2 year extension)	2010
School Catering	116	80	47
Building cleaning and caretaking	57	50	26
Grounds Maintenance	41	34	25 (zero from 30 th June 2010)

5. Of the 199 primary schools and 26 secondary schools in the county, the majority of schools sit outside the corporate contract with Sodexo and provide school meals catering, building cleaning and caretaking via a number of different methods such as;

- i) Have made own arrangements with other contractors
- ii) Have entered into a stand alone contract with Sodexo as service provider outside the corporate facilities management contract, without the support of the Council

- iii) Have set up an in-house service
- iv) Have set up a consortium of schools with another contractor
- v) Have partnered with a larger Wiltshire School with hot meals producing facilities, who then supply meals to the smaller school

Some schools outside the corporate facilities management contract provide a catering service which has resulted in the termination of hot meals provision.

6. The current value of the services is as follows;

	ANNUAL VALUE £ 2008/09 (31 March 09)	ANNUAL VALUE £ 2009/10 (31 March 10)
Building Cleaning	601,391.68	575,846.39
Grounds Maintenance	70,780.27	70,933.34
TOTALS	£672,171.95	£646,779.73

School Meals

The cost made up of three elements, fixed consortium fee, variable consortium fee and the meals element. The fixed consortium fee is £2632.00 p.a. per school, plus variable element of £6.25 per pupil (based on number on roll at contract commencement in 2001).

The figures below exclude meals income as this fluctuates.

Annual Value £ 2008/09 (31 March 09)	Annual Value £ 2009/10 (31 March 10)
£294,560.94	£275,907.84

As at 1st April 2010 the price with Sodexo of a main course and a dessert is £2.10 for a paid meal and £1.94 for a primary free school meal.

7. In addition to the cost identified above, Schools remaining in the countywide corporate facilities management contract are charged a 2.5% management fee by the Council as a contribution towards costs for building cleaning and caretaking contract management support. Schools receiving school meals under the contract are charged a fixed management fee of £150 per site.

8. Consultation during early 2010 was carried out to gauge Schools interest in joining a framework contract. (A framework contract is a contract that would consist of a number of selected suppliers that a school could enter directly into discussion with regarding individual service needs). Only 15 schools expressed an interest and would not commit until the cost is known; the cost of the service is unknown until tendering has been completed, however without a definitive volume in the contract any cost would be purely indicative.

9. Due to lack of investment in school kitchens a number of schools in the County do not have adequate facilities to produce hot meals to the required standard and other schools experience challenges such as increased legislative requirements governing poor flooring, gas, ventilation and asbestos issues together with outdated equipment. This has resulted in a number of schools in the County contract receiving transported meals, which can affect the quality of the meals served.

Key Issues and Considerations for the Schools Forum

10. Schools have delegated funds and operate as business units in their own right; the Department of Children and Education do not have the resource to support schools in contract management and retendering of these services.

11. The Local Authority has a legal obligation to provide free school meals in line with the Government's Food Based Standards and Nutritional Guidelines; under these guidelines provision can be hot or cold meals produced on site or transported in.

Some schools remaining in the corporate catering contract do not have producing kitchens therefore Sodexo provide transported hot meals to these schools.

12. The programme of regular school catering review meetings has ceased as no representative is available from Department of Children and Education.

13. The long term sustainability of a hot school meal service in Wiltshire could be under threat unless the Council or schools are prepared to invest in new kitchen infrastructure.

14. The low numbers of schools wishing to remain in a corporate arrangement is a cause for concern, without contract volume, value for money efficiencies are challenging to achieve, example in 2009, 80 schools formed part of the County Schools Meals element of the contract, as at 1st April 2010 only 47 schools remain, of these only 15 expressed an interest in joining a framework contract.

15. The level of support the Council will provide to schools in the future for these services.

16. The School Lunch Grant (government funded) ceases March 2011 and the future of the Schools Food Trust.

17. The coalition government is very keen on parent-run academies, which, it appears, look set to be exempt from nutritional standards.

18. Key considerations regarding alternative arrangements for schools leaving the corporate facilities management contract include;

- i) Contract specifications; schools would need to give consideration to the development of the relevant service specification
- ii) Transfer of Undertakings and Protection of Employment (TUPE) – TUPE protects employees' terms and conditions of employment when a business is transferred from one owner to another.
- iii) HR support and advice.
- iv) Legal Advice: Schools wishing to enter into a consortium type operation or to negotiate an arrangement with another contractor will need to secure independent legal advice, at their own cost.
- v) Equipment: the facilities and condition of equipment available to a new service provider is a major concern as several sites require major capital investment if kitchens are to remain open.
- vi) Some schools may not be economically viable to a contractor, example, a rural school with a kitchen in poor state of repair with a low meals uptake.
- vii) Schools wishing to pursue a tendering process should have regard to Section 3 of the Schools Finance Manual which sets out schools purchasing, contracting and tendering requirements.

19. On 14th October 2010, the Major Contracts Task Group Children's Services Select Committee resolved/recommended:

- i) Support the development of options for the way forward effective from April 2011 to those schools that remain in the county contract arrangement, which include:
- ii) Leaving schools to make their own catering arrangements with no corporate contract.
- iii) Tender a framework contract on behalf of schools.
- iv) Investigate the possibility (timescale and cost) of Wiltshire schools having access to Southwest One Framework contract currently being let and having a provisional start in early 2011

Options Considered

20. Make own arrangements with another Contractor or with Sodexo direct.

This would benefit schools by giving a choice of contractor they wish to engage with and the opportunity for schools to discuss their individual needs and level of service requirement. The full impact of TUPE legislation affecting Sodexo staff should be taken into account when considering which route to take and independent legal advice should be sought. It should be noted costs may increase depending on the level of service required by the school. As an alternative, schools could enter into a contract with a contractor as an individual school or as part of a schools' cluster group.

21. Take the Service In House

TUPE will apply and Schools should also consider the additional management and equipment implications of this option. Some Schools have implemented this option successfully, benefiting from direct control of the staff and service flexibility.

22. Wiltshire Framework Contract Agreement; School Meals Catering Service

If internal resources can be identified and allocated, the Council may tender a Framework Contract on schools' behalf. Due to the limited number of schools expressing an interest in joining this type of arrangement, if tendered, it may not offer best value to schools due to lack of volume and economies of scale.

23. Southwest One Framework Contract

The possibility may exist for schools to access a framework contract currently being tendered by Southwest One, a joint venture set up between Somerset County Council, Taunton Deane Borough Council, Avon and Somerset Police, and the global IT and business management provider, IBM. The reason this option is being explored is to attempt to give schools the opportunity of joining a framework contract with increased volumes and the cost benefits this offers. Indications suggest additional fees may be applicable to rural schools with no meals production on site. The opportunity to access a framework, if it proceeds, would be from the start of the new term, September 2011.

The viability of this option depends on a number of factors, timescales and costs outside Wiltshire Council control, however in the light of the Corporate Spending Review announced by the Government recently this option may now be in jeopardy. The position with Southwest One will be closely monitored.

24. A framework contract would consist of a number of selected suppliers that schools can enter directly into discussions with regarding the individual service needs of the school; typically there would be 4 to 6 different suppliers on the list. All contractors on the framework contract list would have been through a competitive process and undergone a robust evaluation process against a set of relevant criteria, for example health and safety procedures. The contract would have standard terms and conditions to protect both schools and the contractor but still maintain a level of flexibility.

The cost associated with a framework route is unknown based on the following factors;

- As this has not been finalised and no tendering has yet taken place to test the interest from suppliers in the market, there is no indication of cost to schools.
- Schools should be aware there would be a cost involved to access a framework contract e.g. an annual fee payable by schools to cover contract support for membership access to the Framework Contract. The level of any fees would need to be determined.

Proposal

Based on volume it is anticipated a framework contract signposting service with SouthWest One will deliver best value; schools would benefit from collaborative arrangements with other schools in the region with the potential to open up the

opportunity to all schools in Wiltshire. This arrangement would also provide schools with a basic level of service, meeting all statutory obligations but would allow individual schools flexibility to enhance the service where this is required locally.

However, in view of the uncertainty relating to this option it is recommend that individual schools start to formulate a plan and explore market provision for services in their area, to become operational from 9th April 2011.

If the option of signposting to a framework contract, either with the Council or Southwest One materialises, schools would be in an excellent position to benchmark the options and associated costs they explored against the costs associated with joining a framework contract arrangement to test for value for money.

Conclusions

25. The method of service delivery for individual schools beyond 8th April 2011 is for schools to determine. Influencing factors in the service routes selected will be;
- v) Geographical location and service provision availability in the area, such as producing kitchens or other nearby schools receiving transported meals. Example, Hampshire County Council catering service is an 'in house' service provision (HC3S) that has attracted some Wiltshire schools from the Salisbury area.
 - vi) Meal number uptake and economic viability
 - vii) A commitment to provide hot meals service by individual Governing Bodies and Head teachers
 - viii) Equipment available to deliver the service (cleaning and catering)
 - ix) Staff transfer arrangements and the implications of TUPE and service for those schools that are deemed as uneconomically viable by contractors (cleaning and catering).

Reason for Proposals

26. A decision is required regarding the options to be offered to those schools, whilst considering the legal obligation of the Local Authority to provide free school meals to eligible pupils and the conflicting issue of the vision of an enabling authority with reduced resources and the vision of Government for academy status schools.

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Sources of Information

Minutes; Major Contracts Task Group Children's Services Select Committee 14th October 2010

Caterer and Hotelkeeper 22-28th October 2010

Appendices:

None