

**OVERVIEW & SCRUTINY MANAGEMENT COMMITTEE**  
**4<sup>TH</sup> SEPTEMBER 2008**

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**SODEXO SUPPORT SERVICES – ANNUAL SERVICE REVIEW 2007-08**

**Purpose of Report**

1. To:
  - (i) Present to Members the Sodexo Annual Service Review of the support services provided under the Countywide Facilities Management Contract.
  - (ii) Consider any key issues and recommend remedial or performance improvements that may be appropriate.
  - (iii) Note progress towards implementing service changes as part of the conditions for agreeing a two-year extension of the original contract until March 2010.

**Background**

2. The Corporate Procurement Regulations require all contracts with an annual value in excess of £1 million to be reviewed annually by the relevant Scrutiny Committee.
3. 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 include:-
  - School Catering
  - Building Cleaning Services
  - Grounds Maintenance Services
  - County Hall Facilities Management
4. The contract originally provided Community and home delivered meals but, following a service review, this was discontinued in May 2007 following negotiations with Sodexo.
5. The original contracts were due to end in March 2008 but, after lengthy discussions with all stakeholders (including individual schools, Schools Forum, budget holders, etc) and detailed negotiations with Sodexo, a proposal to extend the contract beyond March 2008 was put to Cabinet in February 2008. After considering all of the facts, including the recommendations from a “Rapid Scrutiny” exercise carried out by the Overview and Scrutiny Management Committee ultimately resolved to award a two-year extension to the contract until March 2010.
6. The agreement to extend the existing arrangements for the support services provided by Sodexo has a number of clear organisational and operational benefits during a period of great change for the County Council. It has given stability of service delivery by working with a flexible partner who understands and accepts the major changes currently underway as a result of Local Government Review (LGR), implementing Business Management Processes (BMP), Shared Services and the

Waterside Project in Trowbridge. The granting of the extension was also important to ensure that future service strategies can be properly explored and agreed for the new Council. It also helped mitigate against possible staff transfer issues (including staff who transferred from Wiltshire Direct Services) caused through any rushed or poor retendering of existing services.

7. Services are provided to the following profiles:-

Service	Sites up to March 2008 (pre extension)		Sites from April 2008 (post extension)	
Catering	112	1	78	1
Building Cleaning & Caretaking	59	97	50	103
Grounds Maintenance	38	108	31	102
Totals	209	206	159	206

## **Main Considerations For The Council**

### **Scope**

8. Four contracts were let to manage and run the service outlined in paragraph 3 above. Under the terms of the contracts Sodexo is required to produce an annual report for all stakeholders.
9. This year's report not only highlights some of the key achievements under the contract but, it also considers some of the benefits of entering into an extension to the contract. It also outlines some of the pressures of containing the cost of those services at a time of high utilities costs and increasing inflation. In addition, the report highlights some of the real benefits achieved under the Sodexo environmental management scheme and changes to working practices.
10. The Sodexo report also outlines some of the work undertaken to meet the challenges of the introduction of Government Nutritional Standard for school lunches and also helping meet the strategic objectives of the Wiltshire School Food Strategy. **A copy of the Sodexo Service Review will be forwarded to all members for information.**

### **General**

11. Works provided under contract by Sodexo are important in supporting delivery of County Council services. Throughout the period covered by the Service Review the contracted services have operated well and continue to meet the Contract Standards. Where problems have occurred it tends to be on a site specific basis and they are nearly always dealt without the need for formal contractual remedies. As a result formal default and financial penalties remain low.
12. Across all of the contract areas during the past year, the majority of customers have rated the service delivery as satisfactory or higher. Standards of service delivery are regularly checked through a system of independent site visits by monitoring staff coupled with regular review meetings and audit of the Sodexo self-monitoring systems.

13. The programme of regular school catering review meetings introduced as a result of concerns raised by this Committee when reviewing a previous Annual report and progress in meeting the objectives of the School Food Strategy have proved helpful in dealing with school meal related problems. It is now intended to continue with these meetings throughout the duration of the period of the contract extension reporting any key issues to the Schools Forum, as appropriate.
14. In response to client concerns raised in last year's report regarding the monitoring of standards of service at County Hall, a member of staff has been allocated to this task. Standards are now monitored regularly.
15. The Sodexo report details a number of key achievements and two of the most notable are the national recognition of the performance of County Hall based teams and the retention of the ISO 14001 environmental management status. The second helps Sodexo make a major contribution to the environmental performance of County Council services.
16. Despite current challenges within the labour market Sodexo continue to have sufficient staff to fulfil contract requirements. Recent uncertainty over the future of the contract did lead to an increase in staff turnover and some local resource issues but, these were normally covered by using trained mobile staff. Staff employment continues to meet the equality and diversity requirements of the contract.

#### Contract Extension

17. As outlined in paragraphs 5 and 6 above, Cabinet considered a detailed report outlining the terms for a 2-year extension to the existing contract. The report considered a number of options but the one offering certainty of service at a time of great change with most benefits was to agree to an extension.
18. The service will be provided under the extension to broadly the same specification and standards of service. The exception to this are the services provided in County Hall where some reconfiguration of service has been necessary and these changes are currently being implemented.
19. Although the extension meant rises above the rate of the prevailing Retail Price Index (RPI) at the time of negotiations, it was agreed that these rises would be fixed for the duration of the extension period, except where a rise in inflation and wages exceeds 4%. Current indications are that RPI may exceed this rate at the review period next April.
20. Key benefits of the agreed extension includes:-
  - (i) School Contracts – The extension allows additional time to work with schools to develop tender strategies more suitable for their needs.
  - (ii) LGR – Extending the contract has allowed the County more time to fully assess inherited, continuing contracts, working arrangements, development of Community Plans including asset transfer, etc. The extension means the Council will be able to develop fully flexible approaches to a full tender exercise allowing possible access to Parish and Town Councils, if required.

- (iii) BMP – The extension will allow the Council to develop and align processes to new systems without the high cost of possible contractual changes. This will help achieve best processes efficiencies and streamline ordering, invoicing and variation processes.
- (iv) Change Management – Sodexo have already been working in partnership with the Council and fully understand the challenges of a period of great change. As a result problems of interface during major projects such as Waterside and LGR will be minimised.
- (v) Market Change – Sodexo fully understand the national agenda regarding changes in schools and educational facilities and indicated that they will remain flexible to schools changing needs and there will be no further increases in charges unless the service reconfiguration involves additional labour or enhanced services.

#### Education Catering

- 21. The greatest challenges have been to ensure that new National Standards for school meals have been achieved. Meals provided by Sodexo under the contract already meet national Nutritional Standards and the required Food Standards. In addition, Sodexo have been actively involved with the important “Year of Food and Farming” initiative.
- 22. Sodexo continue to make an active contribution to the achievement of the objectives within the School Food Strategy.

#### Building Cleaning

- 23. The service continues to be well received by clients and concerns raised previously regarding quality issues have been addressed. There are currently no major issues with this service area.

#### Grounds Maintenance

- 24. Current level of performance are satisfactory although there have been some issues regarding managing site manager expectations of service delivery within the contract. Staff employed within the service have a high skill factor and undertake continuous development to improve service delivery.

#### County Hall Facilities Management

- 25. A number of services are currently being reconfigured following the negotiations for the extension of the contract. The effect of these will be closely monitored over coming months. Sodexo continue to look at ways to improve flexibility and opportunities for efficiency savings.

#### Key Issues

- 26. The key challenge over the coming months is to ensure that all customers receive services to the correct contract standard during a period of high inflation and pressures within the labour market.

27. A further challenge over the next few months will be the need to develop a flexible approach to staff and accommodation changes that will occur as the Council moves towards unitary status and with the development of more community focused services.

### **Environmental Impact of the Proposal**

28. There are no direct implications of the proposal but, Sodexo continue to retain accreditation to ISO 14001 and look for opportunities to increase sustainability within their supply chain. Recent changes to delivery methods have reduced road haulage mileages and reductions in CO<sup>2</sup> emissions.

### **Risk Assessment**

29. The main risks associated with services provided through the contract were evaluated as part of the formal evaluation of the contract. A further evaluation of risk was carried out during the negotiation of the extension of the contract, these were reported to Cabinet in February and were found to help the Council manage a number of risks at a time of great change.

### **Equalities Impact of the Proposal**

30. Work undertaken by Sodexo support services to all sections of the County Council's diverse communities. Sodexo continue to work with the Council to achieve our responsibilities for equality and diversity.

### **Financial Implications**

31. The major financial implications relate to the outcome of the negotiations to extend the contract. The details affecting the individual school who chose to stay in the contract, has been shared with them. All are aware of the implications for their own budgets.
32. In regard to the remainder of the sites in the main County Council property portfolio, the effect of the price rise in the current year of the contract extension is shown in the tables below. It should be remembered that with the exception of County Hall services, these prices will be fixed for the second year of the extension period, except when inflation exceeds 4%.

#### **BUILDING CLEANING**

	<b>ANNUAL VALUE 2007/08 (Dec 07)</b>	<b>INCREASE OF 9% (4% Y&amp;C)</b>
LIBRARY & MUSEUM SERVICE	£ 268,502.00	£ 24,165.26
YOUTH & COMMUNITY SERVICES*	£ 315,858.28	£ 12,634.33
ADULT & COMMUNITY SERVICES	£ 143,765.18	£ 12,938.87
ADMIN BUILDINGS	£ 45,934.81	£ 4,134.13
AMESBURY T/COUNCIL	£ 3,758.97	£ 338.31
PUPIL & STUDENT SERVICES	£ 127,937.61	£ 11,514.38
SCHOOLS BRANCH - DCE	£ 11,576.00	£ 1,041.84
SALISBURY CONNEXIONS CENTRE	£ 7,268.31	£ 654.15
AREA OFFICES - HIGHWAYS	£ 23,226.84	£ 2,090.42
<b>TOTALS</b>	<b>£ 947,828.00</b>	<b>£ 69,511.69</b>

## **GROUNDS MAINTENANCE**

	<b>ANNUAL VALUE 2007/08 (Dec 07)</b>	<b>INCREASE OF 12% (4% Y&amp;C)</b>
COUNTRYSIDE SITES	£ 20,102.83	£ 2,412.34
HIGHWAY SITES	£ 1,687.60	£ 202.51
LIBRARY & MUSEUM SERVICE	£ 3,387.43	£ 406.49
ADMIN BUILDINGS	£ 2,237.42	£ 268.49
YOUTH & COMMUNITY SERVICES*	£ 61,687.85	£ 2,467.51
NON ATTACHED EDUCATION SITES	£ 8,532.63	£ 1,023.92
PUPIL AND STUDENT SERVICES	£ 18,018.00	£ 2,162.16
DCS	£ 24,865.73	£ 2,983.89
GYPSY SITES	£ 1,837.35	£ 220.48
SEAGRY SCH FIELD	£ 1,273.83	£ 152.86
LANGLEY FITZURSE SCH FIELD	£ 903.47	£ 108.42
LACOCK SCH FIELD	£ 1,641.83	£ 197.02
NEWTON TONY SCH FIELD	£ 1,059.87	£ 127.18
SLADESBROOK	£ 6,871.06	£ 824.53
<b>TOTAL</b>	<b>£ 154,106.90</b>	<b>£ 13,557.80</b>

## **Options Considered**

33. A number of options were considered by Cabinet before agreeing to the extension, these being:-
- (i) Do Nothing – This was not possible as the County Council will continue to have a requirement for support services. If the contract was just allowed to end we may be faced with substantial staff liabilities.
  - (ii) Take the Work Back In-house – This is seen as totally unviable owing to the lack of infrastructure and support mechanisms. The start up costs and inherited staffing liabilities would be enormous and unsustainable.
  - (iii) Retender – This had progressed to the feasibility stage but owing to the uncertainty of arrangements under Local Government Review, Health and Safety strategy, community involvement and many other competing corporate priorities it would be difficult to place clearly defined work into the market place. In short, we would be approaching the market not knowing what we want. This would be a threat not only to our reputation but is likely to have caused continual contract disputes and problems.

## **Conclusion**

34. The services provided by Sodexo continue to meet client and budget requirements. Implications of the agreed extension have been agreed with schools and budget holders.
35. The extension period will enable services to be reviewed and reconfigured to meet the needs of the new Wiltshire Council.

## **Proposal**

36. That members:-

- (i) Consider the Sodexo Annual Review and the covering report;
- (ii) Acknowledge the satisfactory level of performance by Sodexo under the contracts;
- (iii) Consideration be given to whether there are any key issues relating to the performance of the contract this Committee may wish the Cabinet Member for ICT and Procurement be aware of when considering the Sodexo Annual Review.

Report Author

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**The following unpublished documents have been relied on in the preparation of the Report:**

- Monitoring Reports
- Correspondence during negotiations