



**Haringey Council**

<b>Report for:</b>	<b>Cabinet on 16<sup>th</sup> April 2013</b>	<b>Item Number:</b>	
<b>Title:</b>	<b>Procurement Report: Community Meals Service</b>		
<b>Report Authorised by:</b>	<b>Mun Thong Phung, Director Adult and Housing Services</b>		
<b>Lead Officer:</b>	<b>Lisa Redfern Deputy Director, Adult and Community Services</b>		
<b>Ward(s) affected: ALL</b>		<b>Report for Key Decisions: KEY</b>	

## **1. Executive Summary**

- 1.1. This Procurement Report sets out the proposed way forward to achieve further efficiencies in the provision of a Community Meals Service. The proposal is to provide community meals through a Five-Borough Framework Agreement and in doing so, achieving an annual projected cost avoidance of £83,972.24. As this is a cost and volume contract, then joining up as part of a consortium makes better value for money sense, in order to achieve further efficiencies and to future proof our service. Also, with the rise in popularity of online shopping, it is highly unlikely that there will be a high demand for a community meals service in the future.

## **2. Describe the issue under consideration**

- 2.1. Sodexo Limited was awarded a five plus two year contract to deliver a community meals service within the London Borough of Haringey on the first day of June 2005.
- 2.2. In order to achieve better value for money for the Council, in Spring 2012, the Council decided to participate with four other local authorities in a multi-borough Community Meals Framework, lead by officers from the London Borough of Hammersmith & Fulham. Haringey Council was accepted into the process on 31<sup>st</sup> May 2012. Haringey Council has had input into the tendering process and has participated in project meetings throughout.



## **Haringey Council**

- 2.3. The market testing and tender process used to identify a preferred bidder, led by London Borough of Hammersmith and Fulham, was undertaken and completed. A preferred bidder has now been identified: Sodexo Limited.
- 2.4. The Council's original contract with Sodexo Limited was extended to the 3<sup>rd</sup> May 2013 to allow the lead borough for this process (as per 2.3) and Haringey Council officers the necessary time to start and complete a full market testing and tender process. The market testing and tender process is now complete.
- 2.5. The market testing element successfully attracted interest from a number of potential new providers. Through the tender process, Sodexo Limited, the current community meals provider in Haringey, proved the most competitive when tested on price and value for money.
- 2.6. The framework agreement commenced from the 8<sup>th</sup> April 2013, and the Council is able to join at any point within the first year of commencement. It is therefore proposed that from the 3<sup>rd</sup> May 2013 the Council join a framework agreement with the London Boroughs of Hammersmith and Fulham, Hounslow, Richmond and Royal Borough of Kensington and Chelsea and Westminster City Council.
- 2.7. This will provide the collective Councils with a combined demand for hot and frozen meals of 315,360 per year with the combined power to purchase against an overall annual budget of £2,031,417.

### **3. Cabinet Member introduction**

- 3.1. A community meals service should remain at the heart of the services the Council offers its more vulnerable residents. With the continued budget challenge faced by the Council, we have to continue to provide this service in the most cost effective way possible, whilst at the same time providing a high quality service. This proposed way forward offers better value for money and achieves a cost avoidance of £83,972.26. A community meals service, or as it is better known, a meals on wheels service, has a value to the people of Haringey beyond just offering a hot meal service. Given the value and need this type of service fulfils in Haringey I support the recommendations set out in this report for the Council to enter into an Access Agreement with the London Borough of Hammersmith and Fulham.

### **4. Recommendations**

It is recommended that Cabinet:

- 4.1. Approve the Council entering into an Access Agreement with the London Borough of Hammersmith and Fulham as lead Council in order to access a Framework Agreement.
- 4.2. Approve the award of a contract under Contract Standing Orders 7.01. and 9.07.1d to Sodexo Limited for a period of 3 years from 3 May 2013, with the option to

**Haringey Council**

extend to further periods of one year each, which will be subject to Contract Standing Orders 5.02.a.

**5. Alternative options considered**

- 5.1. Council officers considered and tested three options including the recommended option to join a consortium.
- 5.2. The option to renegotiate the existing contractual arrangements with the current provider Sodexo Limited was discounted on the basis that the existing contractual arrangements had expired and had been extended to the maximum period the Council's Contract Standing Orders and European and UK Procurement regulations will allow.
- 5.3. The second option would require the Council to re-commission and procure the existing community meals service based on the current volume of meals. This would have required officers to undertake a commissioning process that would have committed additional time and human resources to a full tender process.
- 5.4. In addition to the officer time, physical and financial resources needed to undertake a standalone commissioning and procurement process, the cost of a community meals service would significantly increase due to declining meal volumes.
- 5.5. The third option to join a consortium with six other London Boroughs is the preferred option, and is the subject of this report. The preferred option will provide the Council with an opportunity to realise greater value for public money, attract a provider that is able to meet and deliver a community meals service that offers genuine choice and is able to meet all the quality requirements the Council demands. This will also ensure we are able to achieve nutritional standards and service delivery that meets the needs of the community in Haringey.

**6. Background information**

- 6.1. Haringey Council, like Local Authorities, have an obligation under the Chronically Sick and Disabled Persons Act 1970, and National Assistance Act (1948) Section 29 to ensure the provision of meals to those assessed as eligible. In Haringey and many other Local Authorities this takes the form of a community meals service.
- 6.2. The commonality in the form and way community meal services are delivered across London has offered Haringey Council the opportunity to co-operate and work with a number of London Boroughs in the commissioning and procurement of a new community meals contract.
- 6.3. The identified benefits from working in partnership with other London Boroughs include a reduction in the human resource time needed to run a commissioning and procurement exercise, the opportunity to merge and share contract management



### Haringey Council

responsibilities and reduce environmental impacts, including the carbon footprint resulting from the delivery of a meals service.

- 6.4. The cashable benefits that result from working in partnership with other London Boroughs will only be fully realised if budgets are pooled and used to jointly commission a single contracted provider.
- 6.5. Council officers from Haringey, informed by the possible benefits of jointly commissioning and procuring a new community meals contract with a number of other London Boroughs approached the London Borough of Hammersmith and Fulham with a request to join a proposed consortium.
- 6.6. A consortium was formed during 2012 with a commitment from the London Borough of Hammersmith and Fulham to take the lead role in the procurement process. The Royal Borough of Kensington and Chelsea had already undertaken a full need assessment and completed a business case that Haringey was able to benefit from. The six Boroughs who finally signed up to the consortium included the London Boroughs of Haringey, Hammersmith and Fulham, Hounslow, Richmond and Royal Borough of Kensington and Chelsea and Westminster City Council. Participating Councils in the consortium were required to calculate and submit demand for meals in each Borough as part of the process.
- 6.7. By comparing the demand for the community meal services across the six participating Councils, a steady decline was identified that was common to all six Councils. This matches a national trend. However, while the overall demand has significantly declined in the past decade, demand among the aging population nationally has increased, enabling more people to live at home for longer.
- 6.8. While demand for a community meals service overall continues to decline in Haringey the need among the population of 225,000 people still exceeds 58,000 hot and frozen meals delivered in a year.
- 6.9. The combined demand across the six Council consortium can be seen in the table below, which is projected as an average for the period 2012 – 2013, and is compared with Haringey's current community meal volume.

#### Current Meal Volume Projections (Annual)

	<b>Haringey (Annual)</b>	<b>Consortium (Annual)</b>
Standard hot meals	46,600	233,536
Special diet	1,404	34,364
Cultural	9,940	23,868
Total Hot	57,944	291,768
Frozen	884	22,308
<b>Total Meals</b>	<b>58,828</b>	<b>314,076</b>



## Haringey Council

- 6.10. Jointly commissioning a new community meals service with five other London Boroughs significantly increases demand and with it the Councils purchasing power.
- 6.11. The consortium of six Councils has a combined annual meal volume of 314,076, which enables all six Councils to benefit in terms of value for public money, through an increase in volume.
- 6.12. The cost per meal if the Council were to commission and contract a new community meals service independently would be appreciably higher than if the Council jointly commissioned with the consortium.

	<b>Cost Haringey (note 1)</b>	<b>Cost Consortium (note 2)</b>	<b>Difference</b>
Standard hot meal	£8.17	£6.45	£1.72
Special Diet	£8.41	£8.17	£0.24
Afro- Caribbean meal	£7.98	£7.52	£0.46
Greek	£8.52	£8.52	£0.00
Halal Meat	£7.75	£7.75	£0.00
Kosher	£14.07	£14.07	£0.00
Eastern European	£8.35	£8.02	£0.33
Standard frozen meal	£4.13	£3.67	£0.46

Note 1 – these are the projected meal costs for 2013/14 had the service been tendered independently by the Council.

Note 2 – these are the confirmed meal prices achieved through the framework agreement.

- 6.13. The projected cost to Haringey Council if it were to commission a new community meals service independently would be £481,491.54 per year. However, by jointly commissioning with five other London Boroughs the Council can avoid an annual cost pressure above budget of £83,972.24.
- 6.14. The cost to the Council over the life of a new three year contract, if jointly commissioned with the consortium of six London Boroughs, would realise a projected cost avoidance to the Council of £251,916.72 compared to the projected cost of a single borough contract. This however will allow the service to keep within its current budget rather than providing a new cashable saving.

Projected Total cost (annual)



	<b>Cost Haringey</b>	<b>Cost Consortium</b>	<b>Difference</b>
Standard hot meal	£380,722.00	£300,570.00	£80,152.00
Special Diet	£11,807.64	£11,470.68	£336.96
Afro- Caribbean meal	£30,930.48	£29,147.52	£1,782.96
Greek	£8,468.88	£8,468.88	£0.00
Halal Meat	£3,084.50	£3,084.50	£0.00
Kosher	£9,792.72	£9,792.72	£0.00
Eastern European	£33,199.60	£31,887.52	£1,312.08
Standard frozen meal	£3,485.72	£3,097.48	£388.24
<b>Total</b>	<b>£481,491.54</b>	<b>£397,519.30</b>	<b>£83,972.24</b>

- 6.15. The Council has responsibility for collecting service user contributions under the existing contractual arrangements. Under the new contractual arrangements Sodexo Limited will be responsible for the collection of service user contributions and any outstanding debt as part of the new contractual arrangements, therefore reducing financial risk to the Council.
- 6.16. The service procured is not classified as a priority service under the Public Contracts Regulations 2006 (the Regulations) and therefore it was not necessary to follow an EU procurement process. However, the lead borough undertook an EU procurement on a voluntary basis and used the restricted procedure, one of the tender processes prescribed under the Regulations. This was to ensure that an open and non-discriminatory process was followed, ensuring the selection of a new provider was both fair and transparent.
- 6.17. As set out in section 2 of this report, the London Borough of Hammersmith and Fulham as lead authority will hold a Framework Agreement, in this case with one named provider (Sodexo Limited) named on it. The five other London Boroughs, including Haringey Council will have 'access' to the Framework Agreement via a 'Call Off Agreement' (or Access Agreement by another name) that will require each Council to call off for a minimum duration of three years, during the life of the contract. An access agreement commits the Council to the framework for three years.
- 6.18. All services contracted to the Council are required to provide monitoring information, and contractual performance that is considered high risk in terms of poor delivery against required outcomes and value for money, and require monitoring meetings with the provider. The provider will present performance information for each participating authority on a quarterly basis. Where any service is identified as underperforming, an action plan will be implemented to address these issues.
- 6.19. It is to be noted there is no provision for uplift over the life of the contract with this proposal to Cabinet.



## **7. Comments of the Chief Finance Officer and financial implications**

- 7.1. This report requests Cabinet approval for a new two year service agreement, from 3rd May 2013, (with the option to extend for 2 further periods each of 1 year), for the organisation set out in the body of this report.
- 7.3. The maximum value of the proposed new agreement would be £397,519 per annum and this will be met within the departmental care purchasing budget. The table following paragraph 6.12 shows the difference between the projected cost of the service from 2013 if Haringey were to contract separately and the prices achieved through the joint contract. The estimated cost of the one borough contract exceeds the current budget for this service and would create a cost pressure. By entering into the framework agreement the Council will avoid this pressure. However there is not scope to offer a further cashable budget saving based on current levels of demand and the prices obtained through the framework agreement.
- 7.4. Although the report seeks approval not to follow the Council's own usual procurement process the alternative route pursued involved a competitive tender which provides assurance that value for money is achieved. The table after paragraph 6.12 moreover demonstrates that by entering a pan London contract with better economies of scale the Council can achieve improved value for money
- 7.5. The change to the income collection arrangements outlined in paragraph 6.15 are favourable to the Council in that the administrative burden and financial risk are passed to the contractor for management.
- 7.6. It will be critical to ensure robust contract monitoring procedures are followed to ensure the Council is getting value for money from the organisation providing the service, and this should include reviewing whether or not efficiencies may be achieved during the life of the contract.
- 7.7. Should demand for these services fall, or not be demonstrated through contract monitoring, the new contract allows for termination following a six month notice period.

## **8. Head of Legal Services and legal implications**

- 8.1 The community meals service is not classed as a priority service under the Public Contracts Regulations 2006 (the Regulations) and therefore it was not necessary to follow an EU tender process. However, Hammersmith and Fulham Council, the lead authority on this procurement, followed an EU procurement on a voluntary basis in order to ensure an open and non-discriminatory process. They used the restricted tender procedure which is one of the approved processes set out in the Regulations.
- 8.2 Because this is a Framework Agreement established by a public sector body the Council's Contract Standing Orders in respect of tendering do not apply (see CSO 7.01 (b) Framework and Consortia Arrangements).





**Haringey Council**

- 8.3 The Council's Contract Standing Orders do however apply to the award of the contract. Therefore approval is requested for the Council to enter into an Access Agreement with the London Borough of Hammersmith and Fulham, and for award of a contract to Sodexo Limited. Because of the value of the contract, the Cabinet must approve the recommendations (see CSO 9.07.1 (d) contracts valued at over £250,000).
- 8.4 In order to be able to use a Framework Agreement, a contracting authority needs to be named in the OJEU Notice or identifiable as a member of a class entitled to use it. Adult and Housing Services Directorate (the Directorate) has confirmed that the Council was named in the OJEU Notice.
- 8.5 The decision to award the contract is also a Key Decision and, as such, needs to be included in the Forward Plan in accordance with CSO 3.01 (d). The Directorate has confirmed that this has taken place.
- 8.6 The Head of Legal Services confirms that there are no legal reasons preventing Members from approving the recommendations in this report.

## **9. Equalities and Community Cohesion Comments**

- 9.1 In its Equality Opportunities Policy, the Council is committed to using, whenever possible, its procurement and commissioning functions as strategic tools to further the aims of its public sector equality duty and ensure that it extends opportunity and access to Council contract and that those who win contracts provide services in a way that responds to the needs of all those the contracts are intended to serve.
- 9.2 Access to Community Meals for Haringey residents who are eligible to receive this service from the Council, will be guaranteed by an appropriate specification that will ensure service availability to all sections of the Haringey community including hard-to-reach groups.
- 9.3 The contract will include a requirement that the provider complies with the Council's own equal opportunities and diversity policy together with all statutory provisions relating to equalities.
- 9.4 The provider will need to ensure a range of meal provision that meets the specific dietary and cultural needs of people who use the Community Meal Services. The Council will also need to ensure it can have confidence that the proposed provider is working effectively with residents who may have protected characteristics. The Service Specification includes a requirement that the outputs of the services provided are measured against the Equalities Framework (as set out in the Equality Act 2010).
- 9.5 Where any gaps are identified, officers may need to work with the lead local authority in reviewing the service specification with the provider to ensure an action plan is developed that may include targeting specific groups.





**Haringey Council**

## **10. Head of Procurement Comments**

- 10.1 The recommendation is in line with the procurement code of practice. The procurement is not subject to an OJEU notice being a Part “B” service under the Public Services Contract Regulations.
- 10.2 Contract management has been put in place to ensure contract compliance and minimise any risk of contract failure. The contract allows for termination following a six month notice period.
- 10.3 Personalisation has resulted in a significant fall of clients requesting community meals. A collaborative procurement has enabled the Council to achieve economies of scale and ultimately resource and cost savings.
- 10.4 The contract has been let through a transparent competitive process and has therefore tested the market to obtain Value for Money for the council.

## **11. Policy Implication**

- 11.1 An operational community meals service in Haringey contributes to the achievement of Haringey’s Health and Wellbeing Strategy’s (2012 – 2015) aims and outcomes.
- 11.2 The continued offer of a community meals service in Haringey will ensure the Council meets its statutory duties to people eligible under the Chronically Sick and Disabled Persons Act 1970 (Amended 2000) and National Assistance Act (1948) Section 29.

## **12. Reasons for Decision**

- 12.1 The total contract value of Haringey Council’s community meals service exceeds the European Union procurement threshold, which as a part B service, is £173,934. This places a requirement upon the Council to subject this service to a market testing exercise which was undertaken through a formal tender process.
- 12.2 Cabinet are asked to agree the recommendations in section 4 of this report so that the Council can enter into an access agreement with the lead local authority hosting the new framework agreement, for the provision of community meals.
- 12.3 By entering into an access agreement in respect of community meal provision, the Council will achieve better value for money, than if it had decided to tender for the service independently.

## **13. Use of Appendices**

- 13.1 There are no appendices.

## **14. Local Government (Access to Information) Act 1985**



**Haringey** Council

14.1 Haringey's Health and Wellbeing Strategy (2012-2015)

<http://www.haringey.gov.uk/hwbstrategy>

14.2 This report does not contain exempt information.