

Item No.	Classification: OPEN	Date: 02/12/03	MEETING NAME EXECUTIVE
Report title:		Re-tendering and award of the Welfare Catering Contract	
Ward(s) or groups affected:		All	
From:		Strategic Director of Social Services	

RECOMMENDATION(S)

1. That the Executive approves the award of a new Welfare Catering contract to Apetito Services Limited following the re-tendering of the Welfare Catering Contract. The contract period will be four years with an option to extend an additional two years. The commencement date will be with immediate effect following this approval.

BACKGROUND INFORMATION

2. Following a tender exercise in 1995, the Council commenced a five year contract with Westminster Meals Service (now Apetito Services Ltd) on 11th March 1996 to provide meals to vulnerable or disabled residents living at home who have difficulty preparing meals for themselves.
3. Extensions to the contract have been agreed annually through Committee Items or Delegated Powers.
4. The contract provides both cooked and frozen meals to older people, adults with physical disabilities and adults with mental health problems living in Southwark who have been assessed under the Department's eligibility criteria as requiring help with meals. A daily hot meal or a weekly supply of frozen meals is delivered to service-users' homes. In addition meals are provided to Council and Voluntary Sector run Day Centers and Luncheon Clubs.
5. The purpose of the service is to support the independence of older or disabled people within the community - an essential component of the Social Services' Community Care Strategy. The strategy aims to support people in their own homes and prevent deterioration of health with the consequential need for residential care.
6. There are 6 Lunch Clubs currently serviced by the contract, most of which are run by the Voluntary Sector. The staffing at the Clubs is provided either through the contract with Apetito or by the Voluntary Sector.
7. There are 7 Day Centres serviced by the contract. This includes one specialist Day Centre for adults with a disability (the Aylesbury Day Centre) plus a range of Day Centres for older people of varying disabilities. These Day Centres are a mixture of in-house and voluntary sector provision. The scope of this activity may change as a result of the Day Care Review and the application of community care eligibility criteria to day services

8. This is a volume-based contract with over 228,000 meals and deliveries expected this year. Approximately 144,000 meals will be delivered to service users in their own homes. The remainder are delivered to the Lunch Clubs and Day Centres.

KEY ISSUES FOR CONSIDERATION

9. A Best Value review was undertaken of the service in 2000/2001, which found the current provider was delivering a satisfactory service. The review made a number of recommendations to improve the service which included the issues highlighted in paragraphs 10 – 12 below
10. Increasing portion sizes:– service-user consultation found the highest level of dissatisfaction in this area. Since the review, meal sizes have been increased in Day Centres and Lunch Clubs and on the frozen home meal service. Service-user feedback with respect to these changes has been positive and the tendering process required the larger meal type as standard.
11. Reducing waste:– at the time of the review, wastage on the contract stood at approximately 9.5% of all meals ordered. Changes to the way meals are provided to Day Centres and Lunch Clubs has significantly reduced wastage to approximately 3.5% of all meals ordered.
12. Increased choice and quality for Black and Ethnic Minority (BEM) service-users:– following consultation with Day Centres and other Local Authorities, the current contractor Apetito has negotiated a joint working arrangement with a specialist Afro-Caribbean supplier (Calabash). They currently provide nearly 450 meals a month through the contract. Apetito produce other specialist meals for BEM service-users.
13. The recommendations and actions taken since the Best Value review were key drivers in establishing the new specification for the tendered service.

THE RE-TENDERING PROCESS

Appointment of Consultant

14. Given the complexity of Health and Safety regulations and in order to ensure the tendered service was compliant with all legislation and current good practice, the Commissioning team appointed a specialist Consultant to assist in the tendering exercise. Contract Standing Orders (CSOs) were followed in the sourcing and appointment of the consultant.

Pre-Qualification Exercise

15. In line with CSOs, an advertisement was placed in the trade magazine “Caterer and Hotelkeeper” and in the local South London Press in March 2003, inviting expressions of interest from organisations.
16. Ten companies/individuals responded to this advertisement, all of whom were provided with a copy of the pre-qualification questionnaire (PQQ) that had been prepared by a nominated Evaluation Panel incorporating representatives from key

stakeholders.

17. Only six of the companies/individuals returned their completed PQQ. For those that did respond, a pre-qualification score sheet was applied to the PQQ. The yard stick used to select those invited to tender was that they had to score a total of 50% or more in the weighted questions of the scoring procedure.
18. The weighted areas of the PPQ evaluation used for scoring the operational elements of the service were as follows:
 - Experience
 - Health & Safety
 - Preparation methods
 - Supply of specified meal varieties
 - Equipment
 - Premises
 - Staffing and Vehicles
 - Parking of vehicles
 - References
19. The Council's Central Procurement Unit also evaluated each application with respect to their Equal Opportunities Policy and Financial status.
20. Four companies passed the operational, policy and the financial evaluations and were therefore invited to submit full proposals. Those companies not invited to submit tender bids were offered feedback on their PQQs and scoring. However, none was requested. One of these four companies withdrew during the tender evaluation process.

TENDER EVALUATION PROCESS

Site Visits

21. In order to familiarise the bidders with the Welfare Catering Service, site visits were organised. The purpose of this was to allow the bidders to observe for themselves the type of activities undertaken at two of the larger sites in the Borough; the current standards prevailing; and to allow them to ask questions relating to either the tender document or to the services provided at the sites visited.

Technical and Environmental Evaluations

22. In order to verify the quality of the products provided by the bidders, site visit inspections were carried out at each of their main food production plants and distribution centres. These visits were undertaken by the Welfare Catering Client Representative and the Consultants. Two of the bidders do not produce their own meals – instead they purchase via another provider. Apetito Services Ltd use their own production kitchen.

23. The panel evaluated the organisations' Environmental Policies which were duly scrutinized. There were no issues arising from this.

Consultation

- 24.. Service-users and members of the Service Development Group for BEM adult service-users were consulted and given the opportunity to participate in tasting foods from a typical range of foods as would be supplied by each of the remaining 3 bidders. Formal marking sheets were prepared and analyzed for these sessions and completed by the majority of the tasters. An order of preference was established which placed Apetito Services Ltd in second place.

Organisation A
Apetito
Organisation B

Presentations

25. As the final step in this process, before final consideration of the contractors and submission of a recommendation for appointment, contractors were required to undertake a presentation to both Southwark Social Services and the Consultant. The purpose of this presentation was to further substantiate their tender submissions and to answer any further questions from the evaluation panel.

Bid Clarification and Sensitivity Analysis

26. Following on from the presentations contractors were informed of a number of changes that had taken place in the service provision for Day Care. For example the closure of Royal Road Day Centre and a number of Lunch Clubs. As a result of these changes the contractors were then asked to resubmit their figures and apply them to a Sensitivity Analysis. This information was further revised when it was clear that the service to be provided by the appointed contractor would vary from the services originally defined in the invitation to tender. This ensured that the evaluation related to an accurate representation of the services to be provided by the appointed contractor. A copy of the final analysis is provided in the accompanying closed report. Based on the analysis, Organisation A is the most costly, followed by Apetito and Organisation B showing the lowest cost overall.

BUDGET

27. The current budget for Welfare Catering for this financial year equals £1,285,000. The overall budget is divided into the following areas/categories:

- Meals
- Equipment and Repairs
- Rent
- Arrears
- Miscellaneous expenditure

28. The Tender Bid prices encompass only the Meals category and are detailed for each of the contractors in the accompanying closed report. The relevant proportion of the budget is £1,239,000.

ANALYSIS

29. **Organisation B** produced the lowest tender price. However, the overall quality of their products were scored as lowest by the service users. Organisation B do not produce their own meals and there was a limited choice of available meals. The technical inspections at both their production and distribution sites scored considerably less than their competitors.
30. **Organisation A** show the highest costs. Although they scored high throughout this tendering exercise they do not produce their own meals and are reliant on third party suppliers. Taking the cost factor into consideration selecting Organisation A would not reflect Best Value as required by the Council.
31. Apetito offer Southwark Council the most competitive arrangement financially. Apetito do supply their own meals and in addition, are able to offer flexibility using other suppliers. Apetito offer a wider variety of meals. They also offer the flexibility to increase their meals sizes according to specification requirements. They have been the Borough's incumbent provider for the past seven years and have provided a satisfactory service.

SERVICE DEVELOPMENTS

32. In awarding Apetito the new contract, the following service improvements will be made immediately as part of the organisation's tender bid:
- The portion size of each meal will increase
 - The joint working with Calabash will be consolidated across the contract and further investigations will be undertaken as to suppliers for other meals that would meet the needs of BEM service-users
 - Individual meals will be presented to service users in PET trays as opposed to the traditional foil containers
 - The contract will be operated from a new site within the London Borough of Southwark
 - No GM products are to be used in the product

RESOURCE IMPLICATIONS

Financial Implications Ref: FI/NA/663

33. The contract would be for the award of an already existing service. The current budget for this service is £1,239,000. At current (2003/04) budgeted activity level the proposed contract would cost £1,217,600. This results in a saving of £21,400. The contract would therefore continue to be fully funded from the existing budget in Community Care.
34. In addition, in 2004/05, it is anticipated that the number of meals ordered may reduce. This is due to an ongoing review and modernisation of daycare services offered by Community Care. All savings arising from the Welfare Catering will form part of the £1.5m Day Care modernisation savings.

Human Resource Implications

35. There are no specific HR Implications for the Council in this item; however, on 13 March 2003 revised statutory guidance was issued on public to private sector transfers. The Code of Practice "Workforce Matters in Local Authority Service Contracts" which is Annex D of the 'Office of the Deputy Prime Minister Best Value and Performance Circular', requires that those employees who join the organisation after a transfer has taken place should be offered fair and reasonable terms and conditions of employment which are overall no less favourable than those of the transferred employees. These obligations also relate to contractors and subcontractors. Any contracts advertised after that date are covered, including re-tenders.
36. The code itself covers local authority service contracts which involve a TUPE transfer of staff, either from the local authority to a contractor or where staff who were originally transferred from the local authority, transfer to another contractor, or back to the local authority. This includes arrangements with the private, voluntary or community sector such as PFIs, PPPs, and Strategic Partnerships.
37. Local authorities are now required to include the Code in the service specification and conditions for all new contracts or re-tenders of contracts for services. Authorities need to refer to the code in advertisements for new contracts where staff are transferred and in the tender documentation for those contracts, and are required to monitor compliance with the conditions set out in the Code.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Borough Solicitor & Secretary

38. The Council has powers and duties to provide services to those whom it assesses as being in need of the provision of Community Care services. The provision of catering services to the categories of individuals set out in paragraph 4 of the report forms part of the Council's fulfilment of role.
39. Contracts for the provision of services of this type are not covered by the EU procurement requirements. The requirements of Contract Standing Orders do apply and the report sets out the procedures used, which comply with CSOs. It is intended to award the contract to a bidder who, while not the lowest tender price, is recommended as most competitive for the reasons set

out in the report. CSOs require that where the award is to go to a tenderer who was not the lowest and where the price exceeds the lowest tender by 20%, and/or where the value is over £144,000, then the award must be made by the Executive.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
<i>Welfare Catering Contract 03 Tender Documents and Contract Pre-qualifying Pack</i>	<i>Commissioning Unit Social Services 3rd Floor Woodmill Building Neckinger SE16 3QN</i>	<i>Jacquie Hibbs Tel: X 53627</i>
The Code of Practice "Workforce Matters in Local Authority Service Contracts"	<i>Departmental Human Resources Mabel Goldwin House</i>	<i>Susan Shah Tel: 53866</i>

APPENDIX A

Audit Trail

Lead Officer	<i>Rod Craig, Interim Senior Manager – Adult Services</i>	
Report Author	<i>Jacquie Hibbs – Welfare Catering Client Representative</i>	
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Dated	<i>24 November 2003</i>	
Key Decision?	<i>Yes</i>	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBERS		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	Yes	Yes
Chief Finance Officer	Yes	Yes
Executive Member	Yes	No
Date final report sent to Constitutional Support Services	24.11.03	