



CABINET

11 December 2024

Subject Heading:

Approval to award framework agreements for fresh & frozen meat and poultry

Cabinet Member:

Councillor Oscar Ford, Cabinet Member for Children and Young People

ELT Lead:

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Policy context:

Supports the 'People' theme of the Havering Vision:

'Our children, young people thrive and are inspired to reach their full potential

Financial summary:

The current PAL framework expires on 31st December 2024.

The indicative value of the new call-off contract is c. £2.8m in year 1. The total framework value over the 4-year term of the contract (3 years + 1-year extension) is £12.1m across all PAL members. This includes an estimated 5% annual inflationary increase.

Havering's estimated annual call-off contract value is £643,000 in year 1 (£2,771,000 total contract value).

The Year1 estimated cost is based on Havering's % share of the existing total contract in 23/24, and is an increase of £166,000 compared to the actual spend in that year.

However as this is a call off arrangement, there is no minimum financial commitment.

The actual cost will vary depending on demand, and can be controlled.

This will be funded by the Havering Catering Service.

As Catering is a Traded Service, there is no base budget provision, but expenditure is offset against income that is generated from catering contracts with schools.

Is this a Key Decision?

Yes - Expenditure or saving (including anticipated income) of £500,000 or more

When should this matter be reviewed?

14th November 2024

Reviewing OSC:

People OSSC

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well X

Place - A great place to live, work and enjoy

Resources - Enabling a resident-focused and resilient Council

SUMMARY

The current Fresh & Frozen Meat and Poultry Single-supplier framework expires on 31 December 2024. The Council's current call-off contract expires on the same date.

HES Catering Service has reviewed the requirements and seeks to establish a new three years (plus 12-month extension) multi-supplier framework for this provision as soon as possible. The framework will be owned and managed by HES Catering Services and can be accessed by the members of the Procurement Across London (PAL) group. Each participating member is responsible for their respective call-off agreements and will enter into separate call-off contracts.

The Councils who form the PAL group are:

- London Borough of Havering,
- London Borough of Barking & Dagenham,
- London Borough of Tower Hamlets,
- London Borough of Waltham Forest,
- Thurrock Council

RECOMMENDATIONS

For the reasons set out in the report, Cabinet is recommended to approve the award of;

- A) A Pan London multi-supplier framework agreement to Thomas Ridley and Son Ltd (Company number 00148692) and William Whites Meat Ltd (Company number 03027063) for the supply of fresh & frozen meat and poultry with an estimated total contract value of £12.1m over the 3 plus 1-year term, commencing on 1st January 2025.
- B) A call-off contract solely for the London Borough of Havering, to Thomas Ridley and Son Ltd at an estimated maximum cost of £2,771,000 for the supply of fresh & frozen meat and poultry for an initial term of 3 years with the possibility of a one-year extension, commencing on 1 January 2025 until 31st December 2029.
- C) A call-off contract solely for the London Borough of Havering, to William Whites Meat Ltd at an estimated maximum cost of £2,771,000 for the supply of fresh & frozen meat and poultry for an initial term of 3 years with the possibility of a one-year extension, commencing on 1 January 2025 until 31st December 2029.
- D) To note that the estimated combined maximum spend across the two contracts at B-C above is £2,771,000.

REPORT DETAIL

An open procurement process was undertaken in accordance with the Public Contracts Regulations 2015 and advertised on the Government's Find a Tender portal ref 2024/S 000-019630 on 27th June 2024.

Three bidders expressed an interest in the tender and three bids were received.

The weightings applied to this procurement were:

Commercial Assessment 70% of the overall assessment
Quality Assessment 30% of the overall assessment

All three suppliers met the initial tender eligibility requirements (financial viability and compliance with insurance requirements), however one supplier was excluded due to their failure to provide the necessary certifications. The Two remaining suppliers provided the necessary certification & reassurances. All are credit-worthy and have adequate turnover and insurance cover. This was confirmed from the SQ and method statements received from the bidders.

Based on the evaluation of the scores, the service recommends that approval is given to appoint two bidders on to the framework given that the intention was to establish a multi-supplier framework.

It is recommended that the Council awards call-off contracts to two companies based on the lowest price for each individual line item required.

The framework agreement will not include any commitment from HES Catering Service or the collaborative PAL group to volume or value of orders. PAL group members will be individually responsible for calling-off the framework via their own internal corporate governance arrangements.

REASONS AND OPTIONS

Reasons for the decision:

The current Fresh & Frozen Meat and Poultry Single-supplier framework expires on 31 December 2024. The Council's current call-off contract expires on the same date.

HES Catering Service has reviewed the requirements and seeks to establish a new three year (plus 12-month extension) multi-supplier framework for this provision as soon as possible. The framework will be owned and managed by HES Catering Services and can be accessed by the members of the Procurement Across London (PAL) group and other education establishments who may join at a later date. Each participating member is responsible for their respective call-off agreements and will enter into separate call-off contracts.

The Councils who form the PAL group are:

- London Borough of Havering,
- London Borough of Barking & Dagenham,
- London Borough of Tower Hamlets,
- London Borough of Waltham Forest,
- Thurrock Council

Other options considered:

Not to re-tender for this requirement but purchase ad-hoc from the market

That the requirements are not re-tendered and HES Catering Service purchases fresh and frozen meat and poultry on an ad-hoc basis from suppliers on the open market. This option will not be compliant with the Council's procurement rules and policies due to the cumulative value of spend over time. Furthermore, the option will add significant additional cost to HES Catering Service due to the uncertainties and significant spikes in pricing of goods and raw materials experienced across the market over the past two years. This would undermine the financial viability of the service. In addition, this option will not allow for the prerequisite due diligence which is an essential part of the full competitive process to be carried out, resulting in reputational risk to the Council. Therefore, this option was considered and rejected.

Carrying out an open tender just for HES Catering

This option was considered however, was rejected as the PAL arrangement delivers greater efficiencies through combined purchasing power and drives major economies of scale.

Furthermore, this option would result in an estimated loss of income to HES Catering which results from managing the framework for the PAL group. The management fee which HES Catering earns is 0.75% of the total sales across the framework over its lifetime, which is reinvested into the service.

Call- off from an existing framework

The option to procure via existing national frameworks such as via Yorkshire Purchasing Organisation (YPO) was considered. Whilst this option can provide an alternative procurement route, the framework owners charge 1% management fee for any call-off made from their frameworks. This could potentially result in a total cost of £89k over the duration of the contract, with Havering's share being c.£20k. By establishing a framework managed by HES Catering Services the fees will stay within the service, and management fees will be collected from any other boroughs who access the framework and has the potential to generate £67k income per annum for the service over the 4-year term of the contract.

IMPLICATIONS AND RISKS

Financial implications and risks:

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The current PAL framework for Fresh and Frozen Meat and Poultry expires on 31st December 2024.

The indicative value of the new call-off contract is c. £2.8m in year 1. The total framework value over a 3-year (plus 1-year extension) is £12.1m across all PAL members. This includes an estimated 5% annual inflationary increase. This is a prudent estimate but actual inflation will not exceed the % increase in the Consumer Price Index (CPI) over a 12-month period. Havering's estimated annual contract value is £643,000 in year 1, which equates to £2,771,000 total contract value over the lifetime of the framework. The estimated annual spend is shown below.

	Year				Total
	2025 (1)	2026 (2)	2027 (3)	2028 (4)	
Total framework	£2,802,000	£2,942,000	£3,089,000	£3,243,000	£12,076,000
Havering	643,000	675,000	709,000	744,000	2,771,000

The estimated cost is based on applying Havering's % share of the existing total contract in 23/24, to the new tender price, and is an increase of £166,000 compared to the actual spend in 23/24. This apparent increase is a result of the expansion of the GLA funded school meals provision leading to increased volumes. Prices for individual items on average in a representative basket of goods are in line with the current contract.

However as this is a call off arrangement, there is no minimum financial commitment, and the actual cost will vary depending upon demand. This allows the expenditure to be controlled. It is stated within the tender documentation and terms and conditions that the volumes are communicated at the point of call off.

Havering's costs will be funded by the Havering Catering Service.

As Catering is a Traded Service, there is no base budget provision, but expenditure is offset against income that is generated from Catering contracts with schools. In 2023/24 the Service generated a budget surplus of £-53,000 due to the introduction of Universal Free School Meals (UFSM). This funding is currently confirmed to July 2025

The estimated value of this contract is based on 23/24 spend levels which could increase as a result of UFSM.

Currently any surplus or deficit is managed through the council's general fund. Traded services are required to cover their costs and make a contribution to the management services provided to them by the Council. If the catering traded service is unable to do that going forward then it is a financial risk to the Council's General Fund position. This risk would increase if UFSM is not extended beyond July 2025.

The overall trading position is regularly monitored as part of our normal business arrangements. Options for mitigating the risk of making losses or loss of customers would include reducing expenditure on food and other supplies which we would be able to do as this is a call off contract.

The contract will be managed by the HES Catering Service and funded from a 0.75% management fee received from the participating authorities within the PAL Framework. The contributions will vary according to the level of contract spend, but based on the indicative contract values shown above, this would generate income for the Service of around £91,000 (£70,000 net income to LBH) over the life of the contract, with the risk of a significant variation assumed to be minimal.

Being a wholly traded service, the expectation is for the contract to deliver effective value for money, allowing the service to continue operating as a viable catering provision to its clients

Legal implications and risks:

The Council has a general power of competence under Section 1 of the Localism Act 2011 to do anything an individual can do, subject to any statutory constraints on the Council's powers. None of the constraints on the Council's Section1 power are engaged by this decision.

The Education Act 1996 enables the Council to provide school meals for children at school and the proposals in this report support that provision.

The total estimated value of the framework agreement is £12.1m. The aggregate sum of the proposed procurement is above the applicable Public Procurement threshold for contracts for services and supplies of £214,904 stipulated in the Public Contracts Regulations 2015 as amended ("PCR").

Procurement of the framework is therefore caught by the full rigors of the PCR and a Contract Notice was therefore published on the UK e-notification service 'Find a Tender' as well as on Contracts Finder on the 9th April 2024. Additionally, the procurement must comply with Regulation 33 of the PCR for framework agreements. Any call-off contracts must be procured via the rules of the framework.

The Council and other participating bodies will be able to call-off the services from the framework without reopening competition amongst the two successful suppliers that are party to the framework agreement as the framework has set out all the terms governing the provision of the services and supplies concerned, and the objective conditions for determining which of the successful suppliers shall perform them under the call-off contracts. Regulation 33(8)(a) of the Public Contracts Regulations 2015 allows a framework agreement to be performed in this way.

Human Resources implications and risks:

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;

(iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio- economics and health determinants.

The procurement process will be carried out in accordance with the Council's Contract Procurement Rules and the Public Contract Regulations 2015. The proposed contractor will be expected to comply with the Council's policies with regards to the promotion of equality and diversity in service delivery and employment practice.

Health and Wellbeing implications and Risks

There are no direct health and wellbeing implications associated with the recommended procurement approach for the supply of fresh & frozen meat and poultry. It is the expectation that selected providers will meet the minimum requirements around food hygiene and safety, produce quality, provenance and sustainability. The proposed social value measures within the tender have the potential to deliver health and wellbeing benefits (e.g. through provision of employment of local residents), and efforts should be made to ensure that provider commitment to deliver against these are realised across the lifetime of the contract.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

HES Catering Service recognises it has a role to play in contributing towards the realization of the council's Social Value strategic objectives which are set out in its new vision for the borough.

To underpin this, the tender has a 10% sub-weighting attributed to Social Value within the overall 30% quality assessment section of the tender evaluation. This is to demonstrate to bidders that the Council wishes to award contracts to suppliers who align with its Social Value objectives, and who provide the necessary quality, provenance and sustainability certifications.

Through the tender process, bidders will be asked to submit evidence of:

- How they will create employment opportunities for local people/ and/or disadvantaged people as part of the contract.

- The approach to reducing the company's carbon emissions and how they are working towards net zero greenhouse gas emissions
- Management of other environmental impacts relating the service e.g. reduced water use, reduced packaging, use of low energy equipment etc.
- How they ensure materials and products relevant to the provision of the service are sustainably sourced, produced and deployed
- Their company's measures to identify, mitigate and manage modern slavery risks relating to the contract and supply chain.

Once suppliers are awarded a place on the framework, this area will continue to be reviewed via the contract management process. The service will continue to ask for evidence both qualitative and quantitative of any initiatives undertaken. Ongoing work will take place with suppliers to encourage and support in this area.

BACKGROUND PAPERS

None