

# Brighton & Hove City Council

## Policy & Resources Committee

## Agenda Item 141

**Subject:** Procurement of the Council's corporate catering equipment contract

**Date of meeting:** 16 March 2023

**Report of:** Executive Director for Economy, Environment & Culture

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**Ward(s) affected:** All

**For general release**

### 1. Purpose of the report and policy context

The report seeks approval for the corporate contract provision of Planned Preventive Maintenance (PPM) and Reactive Maintenance of catering equipment to Brighton & Hove City Council's (BHCC) operational portfolio from 1<sup>st</sup> July 2023. This will require BHCC to give a three-month extension to the existing contract to allow time to implement the tendering process. The catering equipment contract services Schools, Social Care, and other corporate premises. The Council has circa 65 sites with an annual total spend of approximately £200K per annum.

### 2. Recommendations

- 2.1 That Committee grant delegated authority to the Executive Director of Economy, Environment & Culture to procure and award a new contract for Planned Preventative Maintenance (PPM) and Reactive Maintenance for catering equipment with a term of 4 years and an option to extend the term up to a further 2 years.
- 2.2 That Committee agrees to authorise the Executive Director of Economy, Environment & Culture to grant a 2-year extension to the contract referred to in 2.1 above subject to the performance of the contractor.

### 3. Context and background information

- 3.1 BHCC currently have a PPM contract in place until the 31<sup>st</sup> March 2023. This contract was procured via a competitive tender process. The contract was agreed in 2015 for a five-year term. Retendering was severely delayed due to the covid restrictions, alongside time and resource constraints. A decision was made to continue with the current contractual arrangement from April 2020 based on the incumbent contractor's good performance and

it ensured continuity of service and site safety and overall due diligence. Since April 2020 the PPM contract has been renewed annually with the most recent renewal ending in March 2023.

- 3.3 The current corporate provision of PPM and reactive maintenance for catering equipment to Brighton and Hove City Council's operational portfolio is provided by two separate departments (Premises Team - Property & Design and School Meals Team - Education & Skills) that currently provide services to schools, social care, and other corporate premises.
- 3.4 A recent internal audit (July 2022) identified that BHCC had not included provision for the reactive remedial maintenance and asset replacement costs (additional £172K) associated with catering equipment across the city. The future contract will encompass delivery of both the PPM and the reactive/remedial works required throughout the portfolio.
- 3.5 The current extended contract encompasses provision for circa 65 locations which are predominately education sites. The current annual spend for the PPM and reactive remedial/repair works is £200K. This is considered a reasonable level of provision looking ahead over four years and is made up of:
  - £28K paid to Catercraft Ltd for PPM under the current contract agreement.
  - £172K paid to Catercraft Ltd for reactive repairs or replacement parts including labour together with an element of small assets that can only be purchased through a specialist distributor or supplier.
- 3.6 This gives the proposed contract a potential total value of £1.2m over the total contract period consisting of a four year term with a possible two year extension.
- 3.7 The target date for the new contract is the 1<sup>st</sup> July 2023. Officers have agreed an extension with the incumbent contractor for three months (1<sup>st</sup> April – 30<sup>th</sup> June 2023) at a cost of £7,767.34 excluding VAT. This was required to ensure that BHCC is statutorily compliant to the current maintenance programme as well as to cover all reactive breakdowns and remedial works. Notably, should there be a delay in the tender process, BHCC are able to extend the contract for six months (1<sup>st</sup> April – 30<sup>th</sup> September 2023) at a cost of £13,975.97 excluding VAT.
- 3.8 The future tender documentation will request prospective tenderers to demonstrate how they intend to deliver both the PPM and the reactive/remedial works required throughout the portfolio.
- 3.9 It is recommended that the contract will be tendered to the open market allowing any organisation that meets the criteria for the contract to submit bids. The preferred route to market offers public sector customers compliant access to a singly appointed supplier and defined quality standards supported by robust and verifiable performance indicators. The contract places greater emphasis on quality and customer services in their tender evaluation criteria. The main advantages of this route to market are:
  - Compliance with BHCC contract standing orders
  - Economies of scale with cost assurance for both parties

- Terms and conditions identifiable from start of process
- Single supplier ensures that BHCC can demonstrate due diligence
- Value for money through a competitive process
- Does not limit the market or means of evaluation in the tender

#### **4. Analysis and consideration of alternative options**

- 4.1 Catercraft Ltd have remained competitive throughout the term of the contract agreement. They retain suitably well trained and qualified engineers. They are reliable and reactive to BHCC's priorities and emergency callouts to ensure that schools, who participate in the corporate school meals contract procured by BHCC on behalf of schools can meet their statutory duties regarding the provision of school meals.
- 4.2 Currently the Schools Meals Manager (Education & Skills Directorate) is responsible for managing the reactive/remedial maintenance and asset replacement costs. Technical support is provided by the Premises Team (Property & Design, EEC Directorate) who currently manage the PPM maintenance contract independently. Through the creation of a new contract, it is proposed that a collaborative working partnership can continue between the two departments with the Schools Meals Manager becoming the client, and the Premises department providing technical support all under one contract.
- 4.3 In order to bring this service in house, a significant investment would be required to create, train, and manage an in-house maintenance team. Whilst BHCC's spend is significant and we could offer the service to support our neighbouring authorities to support viability, we would be less able to cater to the private sector. This is due to the current matured market and its ability to leverage its position to be profitable. This would make the in-house delivery commercially unviable and increase costs on the existing service.
- 4.4 Consideration was given to alternate approaches to market, currently there are at least four suitable framework agreements that BHCC could access to tender this service. These have been discounted as they do not allow for the inclusion of the well-performing, local incumbent for BHCC, and they are generally biased to providers in their home regions or larger national providers, excluding local providers who can potentially provide better value to BHCC.

#### **5. Community engagement and consultation**

- 5.1 Consultation has taken place with all interested parties and internal stakeholders to create a contract specification with quality criteria. These criteria will be used to determine the most economically advantageous tender based on quality and costs (evaluation of tender will be based upon 50% on cost and 50 % on quality).
- 5.2 Schools were consulted on participation in the corporate school meals contract which includes local authority responsibility for repair and replacement of kitchen equipment. All schools wish to remain part of a corporate arrangement.

- 5.3 The report was taken to the Procurement Advisory Board on Monday 13<sup>th</sup> February 2023. The group supported the proposed route to market.

## **6. Conclusion**

- 6.1 Granting approval for a three or six month extension with the incumbent contractor under the current arrangements is necessary to enable time for a full tendering process to take place. It is strongly recommended that BHCC look to appoint a single supplier for both PPM and reactive maintenance/repairs through an open competitive tendering process.
- 6.2 This will enable the current to bid, but also allow other suitable organisations meeting the criteria to also bid. This provides BHCC an opportunity to see what the open market is offering and to ensure that value for money, quality of product and service, and a strong customer focus is maintained. The latter point being essential for our schools and the school meals provider to ensure both parties can deliver a statutory service safely and efficiently.

## **7. Financial implications**

- 7.1 There are two elements to the report, firstly conducting a procurement exercise for the provision of Planned Preventative Maintenance (PPM) and Reactive Services for the next 4+2 years, and secondly approving an extension to the existing contractual arrangements of 3 or 6 months. This ensures a tender process is completed and the new contract is operational.
- 7.2 The budget for the works to be procured is held in two areas: the budget for managing the reactive remedial maintenance and asset replacement costs (£172K) is provided by Education and Skills Directorate, and the PPM (£28K) is provided by Economy, Environment and Culture Directorate. The funding of reactive maintenance is recouped as part of the school meals traded service to schools.
- 7.3 Regarding the extension of the existing contractual arrangements, the target date for the new contract is the 1<sup>st</sup> July 2023. The council's property team has negotiated with the incumbent contractor to extend the current contract for three months as outlined in point 3.7 above. The proposed extension costs represent the 3 month and 6 month pro-rata equivalent of the annual budget. The reactive cost element is unknown but a pro-rata figure of £43,000 for 3 months and £86,000 for 6 months provides indicative estimates of a part-year budgetary requirement for the contract extension. Any significant variation to the budgets would be reported as part of the Council's monthly budget monitoring process.

Name of finance officer consulted: Jill Scarfield Date consulted (09/02/23)

## **8. Legal implications**

- 8.1 The Council's Contract Standing Orders permits senior officers to extend contracts provided such extensions comply with the procurement regulations. This procurement will need to be carried out in compliance with the Public Contracts Regulations 2015 and the Council's Contract Standing Orders.

Name of lawyer consulted: Alice Rowland Date consulted: 21/2/23

9. **Equalities implications**

Full scrutiny of the contract documents will be carried out to ensure that the appointed supplier and any appointed subcontractors will reflect the council's commitment to Equality, Diversity and Anti-Discrimination in all areas of the service provision.

10. **Sustainability implications**

Sustainability will make up 10% of the overall quality evaluation, in particular consideration will be given to the scheduling of work to reduce travel, efficient vehicles and the reduction of materials packaging.

11. **Social value and procurement implications**

11.1 Social Value will make up 10% of the overall quality evaluation. Consideration will be given to delivery of additional economic benefit within the city.

11.2 It is vital that the council's catering equipment is well maintained and replaced as required to ensure the continuity of the statutory school meal service. The opportunity to receive a free school meal or meal for no charge (UFSM) is extremely important to a substantial number of children from low-income families, for whom a school lunch maybe the only balanced meal they will eat in a day. Whether families are paying for school meals or are entitled to them for free, children are more likely to concentrate in the classroom in the afternoon after eating healthy school lunches in a pleasant environment. This also improves their health and their learning about making better food choices. Research also shows that children eligible for free school meals are less likely to: do well at school, continue into further education, or secure higher paid jobs. Therefore, ensuring that these children eat and gain the benefits of the free school meals they are entitled to, really will make a difference to their ability to learn and succeed.

**Supporting Documentation**

None

