

WIRRAL COUNCIL

CABINET

13 OCTOBER 2011

SUBJECT:	CONTRACT FOR MILK, BREAD AND MORNING GOODS
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to agree the extension of a contract for the provision of milk, bread and morning goods to 31 August 2012. This is in order to coincide with a number of other contracts for the supply of catering services which expire in 2012. This will present an opportunity for the Council to make procurement savings through greater aggregation by contracting with one large supplier on a 'one-stop-shop' basis.
- 1.2 It is proposed that a full review of catering provision is undertaken in 2012 in accordance with the Commissioning and Procurement Strategies agreed by Cabinet on 2 June 2011.

2.0 RECOMMENDATIONS

- 2.1 That the contract for the provision of milk, bread and morning goods be extended to 31 August 2012.
- 2.2 That a Council-wide commissioning and procurement review of catering services be conducted.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 The Council has a number of catering contracts which expire in 2012. It is believed there is potential for efficiencies through economies of scale if these are aggregated into a single corporate contract, or collaboration with other Councils. This will require a commissioning and procurement review of catering services adopting the principles agreed by Cabinet in the Commissioning Strategy and Procurement Strategy on 2 June 2011.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 This contract is for the supply of milk, bread and morning goods to Wirral Council establishments. It was awarded to Food Service Options commencing on 1 September 2007 for four years with an option to extend for a further year. The estimated contract value was £425,000 and so the tender was conducted in full accordance with European Union Procurement Directives. Actual expenditure in 2010-11 was £636,642.
- 4.2 This drift in expenditure is mainly attributable to price inflation particularly in relation to milk, packaging, wheat, fuel and utilities. Due to the volatility of the market, suppliers are reluctant to fix their prices for a long period of time. Further price increases are expected with milk expected to rise by over 5% in 2011-12 and morning goods by 6%. In 2010-11 the price of milk has risen by 10%.
- 4.3 Contract monitoring confirms that Food Service Options are meeting the service specification.

5.0 RELEVANT RISKS

- 5.1 All procurement activity is under increasing external scrutiny to ensure it is compliant with UK Public Procurement and European Union Directives. The Council has witnessed an increasing number of challenges in this area and the costs of defence and risks of financial penalty are considerable. This contract has been let in strict accordance with these Directives
- 5.2 A continued increase in food and raw material prices presents a significant risk to the Council budget. Assuming the quantity and quality of food cannot be reduced these are unavoidable cost pressures which may only be negated through more effective procurement.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 A benchmarking exercise was undertaken in June 2011 to see if other providers could offer lower prices than Food Service Options. This shows there is no evidence that a tender process at this time would result in lower prices. It is proposed that the tender should only be let after a comprehensive commissioning review of catering services is completed which reflects the changing shape of the Council and considers alternative sourcing methods.

7.0 CONSULTATION

- 7.1 The commissioning and procurement review will be overseen by the Corporate Procurement Board ensuring the involvement of each Department. Particular attention will need to be given to ensuring schools, and Adults and Childrens Social Services establishments, primarily their staff and users are engaged in the process.

8.0 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 All suppliers, including those from the voluntary, community and faith groups are given a fair and equal opportunity to tender for contracts. Only where it is lawful to do so will contracts be directed to such groups or those representing minority interests.

9.0 **RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

9.1 The contract value increased to £636,642 in 2010-11 although this will reduce in 2011-12 as a number of establishments are no longer in operation. The Budgets for these will have been reduced as part of the agreed savings in 2011-12.

9.2 It is premature to indicate if any savings will arise from a commissioning and procurement review of catering services.

10.0 **LEGAL IMPLICATIONS**

10.1 The option to extend the contract for 12 months was built into the original tender process and is compliant with European Union Procurement Directives.

11.0 **EQUALITIES IMPLICATIONS**

11.1 Equality implications will be considered by the group conducting the commissioning and procurement review of catering services.

12.0 **CARBON REDUCTION IMPLICATIONS**

12.1 There are no direct carbon reduction implications. However carbon reduction targets may be built into the terms of the new contract.

13.0 **PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are no planning and community safety implications.

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APPENDICES

None

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	
Cabinet: Procurement Strategy Cabinet: Commissioning Strategy Cabinet - Outcome Based Commissioning	2 June 2011 2 June 2011 1 September 2011