

**Report of: Head of Catering and Cleaning**

**Report to: Chief Officer – Civic Enterprise Leeds**

**Date: 27 May 2015**

**Subject: Report requesting to commence a procurement exercise for the supply of fresh bread and morning goods to Leeds City Council**

Are specific electoral Wards affected?	No
If relevant, name(s) of Ward(s):	
Are there implications for equality and diversity and cohesion and integration?	No
Is the decision eligible for Call-In?	No
Does the report contain confidential or exempt information?	No
If relevant, Access to Information Procedure Rule number: Appendix number:	

**Summary of main issues**

1. The purpose of this report is to seek approval to commence a new procurement exercise for the supply of fresh bread and morning goods to Leeds City Council.
2. The current contract is due to end on 31 March 2016. All possible contract extensions have been used.
3. The current contract is seeing a decreasing demand for fresh bread as units close or leave Catering Leeds. This exercise will explore the feasibility of extending fresh bread deliveries to all primary school sites, operated by Catering Leeds.
4. Procuring a new contract secure fresh bread and morning goods required at the best possible price.
5. If a new procurement exercise is not undertaken, then either the service required by end users cannot be provided, or significant revenue spend will be incurred off contract.
6. The value of the new contract is estimated to be a maximum of £160k per annum.

**Recommendations**

The Chief Officer Civic Enterprise Leeds is recommended to approve the commencement of a procurement exercise in order to secure a contract for the

supply of fresh bread and morning goods. The contract will start 1 April 2016 for a period of 2 years, with 1 x 12 month option to extend.

## **1 Purpose of this report**

- 1.1 This report details the reasons why a contract for the supply of fresh bread and morning goods is required. The purpose of this report is to seek approval to commence a procurement exercise, which will see the award of a contract for this supply. The contract will be for 2 years, with the option of 1 x 12 month extensions.

## **2 Background information**

- 2.1 The current contract for fresh bread and morning goods has operated successfully since 1 April 2012. The contract is due to come to an end on 31 March 2016. No further contract extensions are available.
- 2.2 There have been very few issues raised during the contract, either relating to products or deliveries.
- 2.3 A contract for the supply of fresh bread and morning goods is required to continue to provide for the needs of high schools, children's services and adult social care. Not to have a contract in place will mean either the services required cannot be provided, or significant expenditure will be incurred off contract.
- 2.4 Over the past twelve to eighteen months, spending on fresh bread has declined. This is mainly due to high schools leaving Catering Leeds, and the closure of some Adult Social Care centres. Spend for 2014/15 is down to £61K from £75k in the preceding year.

Discussions with the current provider have indicated a potential reluctance to continue after the existing contract ends, as the volumes continue to decline. This can only be tested by actually doing the procurement exercise.

Consideration has been taken to allow a separate lot in the tender for fresh bread items for primary schools who currently take a frozen bread option. If this lot were taken up, it is likely to increase the value of the tender by up to £100k per annum.

## **3. Main issues**

- 3.1 The current contract for fresh bread has worked well over the last 3 years. This contract ends on 31 March 2016. There continues to be a demand for fresh bread from the existing units.
- 3.2 There is a declining demand within the current customer base, due to sites closing/leaving. This has seen a 20% reduction from 2013/14.to 2014/15. As this area is likely to have further decline in the next two years, there is a serious risk of suppliers not wishing to bid for delivery for these sites.
- 3.3 The majority of primary schools currently use their bread products as frozen from the frozen food provider. Catering Leeds wishes to explore the possibility of using more fresh products within the school meals, and subject to price, bread will further enhance the fresh produce usage. It is anticipated that this could add £100k to

£120k per annum to the fresh bread contract. This is likely to make it more commercially viable to suppliers.

- 3.4 Leeds City Council would tender the provision of fresh bread to primary schools as a separate lot, and put a maximum price on the Lot. There is a possibility that no provider will be able to bid under this maximum price.
- 3.5 Fresh bread and morning goods are generally price stable, but can vary due to quality and quantity of flour availability. This is usually determined after each year's harvest. Catering Leeds will work closely with any supplier to ensure the best possible prices for this category.

## **4. Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 It is not considered that the content of this report or the recommendation made will have a significant impact on any particular ward or community.

Consultation will take place with the end users and children's services at the time they require to use the contract for the purchase of fresh bread and morning goods..

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 An Equality, Diversity, Cohesion and Integration report will be undertaken for this category.
- 4.2.2 The positive effect of school meals is borne out by the Governments implementation of the Universal Free School Meal from September 2014 as an attempt to improve standards of attainment within schools. Fresh bread was not originally affected by this change.

### **4.3 Council policies and City Priorities**

- 4.3.1 It is paramount that procurement within Leeds City Council is undertaken with a view to ensure openness, transparency and fairness. As such the contract for the supply of fresh bread and morning goods will be procured in line with Leeds City Councils Procurement Units policy and procedures.

Evidence of added social value will be considered and this may be developed as part of the tender process.

### **4.4 Resources and value for money**

- 4.4.1 Any contract entered into as a result of the procurement exercise will be used for the purchase of fresh bread and morning goods. This forms an important element in delivering meal services across Leeds City Council services.
- 4.4.2 Any contract entered into as a result of the procurement exercise will be regularly reviewed by monitoring market conditions and trading indices to ensure continuing value for money.

4.4.3 Resources are available from both CEL and Procurement Unit to meet the requirements of a tender exercise in order to award a contract for the supply of fresh bread and morning goods.

4.4.4 There are no additional resource implications once contract(s) for the supply of fresh bread and morning goods are awarded.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 The Chief Officer is authorised to make this decision to commence the procurement process.

4.5.2 Advice regarding any procurement exercise, including terms and conditions of contract/arrangement, will be obtained from the Procurement Unit to ensure council governance is met, and fair competition is observed.

4.5.2 The maximum value of spend on the contract (2 years plus 1 x 12 month extensions) is estimated at £320k (increased to £480k if the extension is taken up). This is a significant operating decision, and is not subject to call in.

#### **4.6 Risk Management**

4.6.1 There is no particular risk in approving the commencement of a procurement exercise.

### **5 Conclusions**

5.1 The current contract has been used for the purchase of fresh bread and morning goods. This has run successfully for over 3 years.

5.2 The current contract is due to end on 31 March 2016. There are no further contract extensions available..

5.3 Not to commence a procurement exercise to award a contract for the supply of fresh bread and morning goods will mean either the service cannot be provided, or purchases to provide the service will be made off contract. A tendered goods and service contract would put the requirement on a firm contractual footing.

5.4 The procurement exercise will also identify if it is financially viable to extend the provision of fresh bread to all primary schools catered for by Catering Leeds.

### **6 Recommendations**

The Chief Officer Civic Enterprise Leeds is recommended to approve the commencement of a procurement exercise in order to secure a contract for the supply of fresh bread and morning goods. The contract will start 1 April 2016 for a period of 2 years, with 1 x 12 month option to extend.

**7 Background documents**                      None