

## CABINET

14 November 2017

<b>Title:</b> Procurement of Contract for Cashless Catering Hardware, Software and Installation	
<b>Report of the Cabinet Member for Educational Attainment and School Improvement</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Director:</b> Chris Bush: Commissioning Director; Children's Care and Support	
<b>Accountable Director:</b> Anne Bristow, Strategic Director of Service Development and Integration	
<b>Summary</b>	
<p>Barking and Dagenham Catering Services are seeking approval to procure through a full open tender, a cashless catering hardware replacement system, software upgrade and support for the installation and maintenance of the new system.</p> <p>There are two major reasons why this is required:</p> <ol style="list-style-type: none"><li>1. The schools Catering Service currently uses a cashless catering system supplied by Nationwide Retail Systems (NRS), the underlying operating system used to run the current tills is the embedded EPOS variant of Windows XP. The current version of Windows XP is now reaching the end of its operational life and will be unsupported by Microsoft from early 2019, and the current model of tills operated are too outdated to run a more recent version of Windows.</li></ol> <p>Without the upgrade, the system will become vulnerable to potential security breaches and faults. This would be a serious compliance issue for both the Catering Service and schools.</p> <ol style="list-style-type: none"><li>2. The Traded Services arm of the Council is becoming a new social enterprise, set to launch in April 2018. To maximise the catering service's success, it is key that the cashless catering solution provided matches the best systems offered by competitors. Improvements in the cashless catering market now allow for more cost-effective tablet based solutions, as well as advanced reporting dashboards that can identify key efficiency savings and further income generation options.</li></ol> <p>Catering Services are therefore seeking approval for Corporate Procurement to carry out a full open tender for a Cashless Catering system and award a new term contract to the successful supplier. This will comprise approximately 120 EPOS Cashless Tills across 48 schools within the borough. Replacement of approximately 2 Revaluation Units, 15 UPS</p>	

(un-interrupted power supply systems). The contractor and Catering Services will be required to hold stock, including any peripherals that may be required. There is a commercial urgency for the contract commencement date to be before 1 April 2018, when Barking and Dagenham Traded Services launches. The procurement of new hardware and software will ensure the company offers a service which meets/exceeds that offered by competitors from the private sector.

The contract would be for an initial three years, with an option to extend for up to a period or periods of two years.

### **Recommendation(s)**

The Cabinet is recommended to:

- (i) Approve the procurement of a contract for the upgrade of Cashless Catering Hardware and Software and associated support services, in accordance with the Council's Contract Rules and the strategy set out in the report; and
- (ii) Delegate authority to the Commissioning Director for Children's Care and Support, in consultation with the Cabinet Member for Educational Attainment and School Improvement, the Chief Operating Officer and the Director of Law and Governance, to award and enter into the contract(s) with the successful bidder.

### **Reason**

To assist the Council in achieving its priority of a "Well run organisation".

## **1. Introduction and Background**

- 1.1 The ESPO Framework is for Online Payment and Engagement Solutions and Cashless Catering Systems which provides the hardware and software for running the current tills within all Barking & Dagenham's school kitchens.
- 1.2 The original system was supplied and installed by Nationwide Retail Systems and is still currently being maintained and serviced by them in partnership with ParentPay, who supplies the electronic information regarding meal data and income/expenditure for both parents and Catering Services back office, which is also the preferred supplier for the Borough's Schools. The maintenance and support agreement has been renewed with NRS on a rolling basis until the completion of the tender. Our server maintenance agreement has been moved to a 1 month rolling contract. No exit fees will be applicable as the service is currently out of formal contract with the provider.
- 1.3 The Council's original contract for till software and hardware was called off the ESPO framework via Mouchele. This contract ran from 1/1/2010 to 31/12/2013.
- 1.4 Following the bankruptcy of Mouchele in 2012, Catering Services contracted directly with NRS and ParentPay via the ESPO framework, allowing continued service provision and a seamless and concurrent use of the system. NRS and ParentPay were already sub-contractors of Mouchele. This then ensured there was no negative impact on the ability to supply meals to all the children within the borough, especially those who had eligibility for FSM.

- 1.5 The ESPO framework expired in 2015. As such, a customer access agreement was signed by Catering Services on 16 September 2016 via a new ESPO framework, allowing the service to continue using the current providers. The current ESPO framework that the service is on runs from 1 July 2015 – 30 June 2019. The Catering Service is now working to go out to the market, following the Council's specified procedure. Originally a mini competition with suppliers on the current ESPO framework was advised to procure new cashless catering hardware and software. Following this decision, a benchmarking exercise was conducted in 2016 where suppliers listed on the ESPO Framework were invited to i) submit an interest and ii) provide a benchmark price for the supply of the listed equipment and a price range for the yearly support for the life of a five-year contract.
- 1.6 The price ranges requested were for both the supply of equipment and the support of both equipment/software/back office support. The price ranges for the supply of hardware and software received back was £184,450 - £400,000 and the price range supplied for the support of the equipment and back office support ranged from £50,000 - £100,000 pa.
- 1.7 Since the benchmark exercise there has been a reduction in the number of school's due to the loss of the contract with Partnership Learning. The bench mark was also carried out for the like for like replacement of tills. The specification for this procurement will be seeking flexible solutions for the till replacements, which with the advancement of technology, is likely to include tablets instead of traditional tills being used to provide the service.
- 1.8 For the reasons outlined in 1.7 above it is estimated that the total contract value over the initial three years, plus a two-year extension will be £600,000. The total budget for this project to cover the initial outlay and ongoing support costs for the duration of the three years is set at £500,000. The additional £100,000 will only be required should the contract be extended. It is expected that a budget will be allocated in-year at the time of an extension, should this option be considered.
- 1.9 Due to a multitude of business-critical reasons outlined in 2.4.1 and following consultation with Corporate Procurement, this report now recommends that the procurement process undertaken to procure cashless catering hardware and software is a full OJEU open tender.

## **2. Proposed Procurement Strategy**

### **2.1 Outline specification of the works, goods or services being procured.**

To replace/upgrade the cashless catering system hardware and software. This includes approximately:

- 40 tills in secondary schools, running a current OS
- 80 tills in primary schools, running a current OS
- 9 balance checkers
- 2 re-evaluation units
- Peripherals (e.g. cables that connect the tills, wireless aerial's, battery packs, plug in card readers, biometric readers, ethernet cables etc.) across the length of the contract

- Yearly support for hardware and software

If the current incumbent is awarded the contract, then they will be required to replace any outdated hardware and to replace the systems current software.

A lease option, as opposed to purchasing new cashless hardware, will also be considered in the specification. However, lease models are extremely rare in the cashless catering industry. The predominant method is for companies to provide both the hardware and software together as a package. This often offers best value to clients.

## **2.2 Estimated Contract Value, including the value of any uplift or extension period.**

2.2.1 Purchase Price range for hardware and software is £184,450 - £400,000 (total overall) – this will be supplied by the successful supplier (if the successful supplier is the incumbent supplier, the overall contract cost may reduce).

2.2.2 The costs of support services, which will be provided by the same contractor that is awarded the contract, is estimated to be between £50,000 - £100,000 (for first three years of the contract). Up to an additional £100,000 would be required should the contract be extended.

## **2.3 Duration of the contract, including any options for extension.**

2.3.1 The contract term will be three years, with an option to extend for a period, or periods, of up to two years.

2.3.2 Initial purchase of all hardware and software will be completed at the beginning of the contract. The only additional costs going forward will be maintenance costs. The Corporate Finance Team have confirmed that a revenue allocation to capital has been set aside to cover this.

2.3.3 As the new technology is rolled out, the agreed maintenance costs with the current supplier will still need to be honoured. We already have a six-month rolling contract in place for maintenance with the current supplier. The current supplier is happy to continue this rolling contract and is fully prepared to shorten the length of the contract to the procurement timescale. Each month of maintenance with the current supplier costs £4,436. Should the incumbent be successful in the tender exercise, these costs will not be an issue.

## **2.4 Recommended procurement procedure and reasons for the recommendation.**

2.4.1 This procurement approach is recommended for two major reasons:

1. **Commercial urgency in an evolving market** – The procurement needs to take place soon, as Barking and Dagenham Traded Services has now been registered as a company with Companies House. The trading entity is will be formally launched on 1<sup>st</sup> April 2018. The commencement dates of the new contract need to be before the new company is formally established, to ensure we keep costs down and offer new functionality to keep pace with competitors

in the private sector e.g. tablet based till solutions and facial recognition technology.

Cashless Catering Solutions is a rapidly expanding market. By not constraining the procurement to those companies listed on a framework from 2015, we are able to ensure we receive the highest quality service at a competitive price. Since the ESPO framework was last prepared, there has been much innovation in the market in terms of biometric technology, reporting functionality and till hardware e.g. this tender will seek to procure a tablet based till solution as opposed to using a traditionally bulky till. This is not only a cheaper model to operate, it can be used more flexibly and replacement equipment is more affordable.

**2. Avoid exposure to security vulnerabilities** – The current till system hardware and software only supports Windows XP. Microsoft will be ceasing to support the version of windows XP that is currently used from early 2019 and it is now seen as an opportune time to procure a substantive contract to include the necessary upgrade which will be required to maintain system integrity and security.

2.4.2 The Contract value is over the EU threshold, therefore there is a requirement for this tender to be advertised in accordance with UK and EU legislation. It will therefore be advertised in the OJEU, and Contracts Finder. The contract will also be advertised on the Council's website.

2.4.3 The tender will be advertised in two lots. Lot 1, which is for outright purchase of cashless catering hardware. Lot 2, which is for lease of cashless catering hardware. Both Lots will include purchase of software and annual maintenance agreement.

2.4.4 The tenders will be evaluated separately for both Lots. The most economically advantageous tender for the Council will be awarded the contract. The contract will either be awarded under Lot 1 or Lot 2, not both or a combination thereof.

2.4.5 The procurement will be let under the open procedure. The open process will allow for the maximum number of suppliers to respond, will encourage SMEs and will be likely to produce the best value for money.

2.4.6 Suppliers will have to have sufficient accreditation and H&S policies relevant to the services and have a sufficient financial standing.

2.4.7 This tender exercise will be carried out by Elevate Procurement.

2.4.8 Outline Procurement Timetable

Procurement Strategy Report to Procurement Board	16 <sup>th</sup> October 2017
Procurement Strategy Report to Cabinet	13 <sup>th</sup> November 2017
OJEU Contract Notice placed on or around	20 <sup>th</sup> November 2017
Tenders returned on or around	4 <sup>th</sup> January 2018
Tender Evaluation	Jan to Mid-Feb 2018

Award Report Sign Off	Late Feb 2018
Alcatel (10 days)	March 2018
Contract Commencement	Around End of March 2018
Implementation	1 <sup>st</sup> April 2018 – 31 <sup>st</sup> July 2018

2.4.9 The proposed procurement route is considered to be the best route to securing a compliant contract process because a full open will ensure best value.

## 2.5 **The contract delivery methodology and documentation to be adopted.**

2.5.1 The contract will be let using London Borough of Barking and Dagenham's standard Terms and Conditions.

2.5.2 The contract will be managed and monitored by Catering Services Head Office / Traded Services Head Office from 1<sup>st</sup> April 2018. Formal contractual meetings will be arranged across the contract period so that performance is monitored.

2.5.3 The tender must be completed and the contract commencement date must be before the launch of the new Traded Services on 1 April 2018. It is expected that the contract commencement date will be no later than 31 March 2018.

## 2.6 **Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract.**

2.6.1 The new contract aims to ensure efficiency savings by leveraging the benefits of new technology.

## 2.7 **Criteria against which the tenderers are to be selected and contract is to be awarded**

2.7.1 This will be carried out based on 40% quality and 60% pricing. The Corporate Procurement Team will advertise the contract widely on OJEU, Contracts Finder and the Council's website.

## 2.8 **How the procurement will address and implement the Council's Social Value policies.**

2.8.1 The new system will reduce queuing times in schools and increase the overall efficiency of the Catering Service. This will encourage more young people to choose a healthy, balanced school lunch, instead of eating junk food or, in some cases, eating nothing at all.

## 3. **Options Appraisal**

3.1 **Do nothing** – Rejected if the current setup was to continue, when Microsoft finishes supporting Windows XP in early 2019, the software would pose a significant security risk to both us and our clients. Schools would have the right to close the system down, and this would have serious financial implications with regards to supplying school meals throughout the borough. In addition, we would be unable to

leverage efficiency savings by making use of new technologies in the marketplace and would therefore be less competitive when tendering for new business.

- 3.2 **Do not replace the current operational software** - Rejected as Microsoft will not be supporting Windows XP from early 2019, therefore this is not a viable option.
- 3.3 **Do not replace the current tills** – Rejected The current EPOS tills do not have the capability to run the software that is needed.
- 3.4 **Use an Alternative Framework** – Rejected This has been researched and the majority of the authorities using Cashless Catering are signed up with ESPO Framework (other authorities include Manchester, Leicestershire, East of England). There are several other cashless catering companies, including Synel and Bio Store, that are not on a framework and should therefore not be excluded from this process by limiting ourselves to a particular framework.
- 3.5 All other options have been considered and the procurement route recommended in this report has been deemed the most viable and beneficial to the Council.

#### **4. Waiver**

- 4.1 This is not applicable to this procurement.

#### **5 Equalities and other Customer Impact**

- 5.1 When XP is no longer supported, without action, this would pose a possible security risk to pupil's personal data, which the tills link to through ParentPay.
- 5.2 Additional functionality and stability updates will improve service times and throughput. The new system will allow for combination meals to be created and significantly improve overall till performance. This will improve the speed of service. Additionally, a tablet based till solution allows for dining halls to be reconfigured to make best use of space.
- 5.3 Removes the need for time consuming and costly adjustments - Tills will still be able to operate and store transactions if they are disconnected e.g. due to a power outage or if they lose internet connectivity. This will then have a positive impact on staff within Catering Services as it will reduce the amount of time and staff resources it takes to manually adjust school children's accounts when meal transactions have been unable to go through a till.

#### **6. Other Considerations and Implications**

##### **6.1 Risk and Risk Management**

If the system is not upgraded and the operating system is expose to security vulnerabilities, School ICT Managers could refuse permission for our kit to sit on school networks. This would prevent the Catering Service being delivered and schools would not be able to meet their statutory requirements in respect of providing free school meals to pupils.

- 6.2 On 1 April 2018, the new business would be launched with a technological offering that is outpaced by competitors in the private sector, therefore putting the trading company at a significant disadvantage in the marketplace.

## **7. Consultation**

- 7.1 The proposals within this report were considered and endorsed by the Corporate Procurement Board on 16 October 2017.

## **8. Corporate Procurement**

Implications completed by: Sam Woolvett - Category Manager

- 8.1 The proposed approach will comply with LBBD's Contract Rules. As this procurement falls under the remit of the European regulations, a contract notice will be placed in OJEU and Contracts Finders. A notice will also be placed on the Council's website.
- 8.2 A full tender process is likely to yield the best value for money for this requirement and is suitable for this level of spend.
- 8.3 Timelines will be adhered to, but is dependent on Catering Services providing a detailed specification and inputting into the procurement documents, where appropriate.

## **9. Financial Implications**

Implications completed by: Daksha Chauhan, Group Accountant, Children's Finance

- 9.1 This report seeks approval to undertake an open tender for a cashless catering replacement system. The contract period will be three years, with an option to extend for a period of up to two years. The estimated value of the contract over a three-year period is estimated to be £500k. This includes the hardware, software and support for three years. A revenue allocation to capital has been set aside to cover this. The cost of extending the contract for a further two years is estimated to be £100k and would be required for ongoing support.
- 9.2 The annual revenue costs are estimated to be between £50,000 - £100,000 per annum which will be incurred from the second year of the contract, with the first year's cost included in the initial purchase cost. Future support costs will be met from the catering services revenue budget, who will be a Traded Services Company from 1 April 2018.

## **10. Legal Implications**

Implications completed by: Bimpe Onafuwa, Commercial Contracts and Procurement Lawyer

- 10.1 This report is seeking approval to undertake a procurement exercise for the supply and maintenance of upgraded Cashless Catering Hardware and Software.



- 10.2 The procurement of this contract is subject to the Public Contract Regulations due to the fact that its estimated value is above the current threshold of £164,176. There is therefore a requirement that it be tendered competitively and that the process be transparent and non-discriminatory, and that it ensures the equal treatment of bidders.
- 10.3 Clause 2 sets out the proposed procurement strategy. The evaluation criteria is noted in Clause 2.7.1 as a 60:40 price v quality ratio. In compliance with the PCR requirements, there is also the expectation that the procurement will be advertised widely enough for interested bidders to be aware of it. This report addresses this by stating that the contract will be advertised in the OJEU, in Contracts Finder and on the Council's website. Additionally, there is the requirement that the procurement timescale should provide sufficient time for bidders to respond to the Invitation to Tender, with their submissions. This report provides, in clause 2.4.5, a proposed timetable for conducting the procurement exercise. These show evidence of a transparent and fair process.
- 10.4 The Law and Governance Team is available to assist with the legal requirements of this procurement.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:** None