

CABINET

19 June 2018

Title: Procurement of Cashless Catering and Online Payment Supplies and Services	
Report of the Cabinet Member for Educational Attainment and School Improvement	
Open Report	For Decision
Wards Affected: None	Key Decision: No
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Accountable Director: Chris Bush: Commissioning Director; Children's Care and Support	
Accountable Strategic Leadership Director: Anne Bristow, Strategic Director of Service Development and Integration	
Summary: By Minute 64 (14 November 2017), the Cabinet approved proposals to procure, through a full Open Procurement exercise, a cashless catering hardware replacement system including software upgrade, support, installation and maintenance of the new system. This report seeks approval to amend the previously agreed procurement strategy and procure through a Restricted Procurement Exercise, in order to engage and elicit responses from the entire market whilst restricting the number of tender submissions received to a manageable quantity. This report also seeks approval to include within the scope of the contract, additional functional requirements which have been identified as offering synergy and providing additional value resulting from the aggregation of requirements and economies of scale.	
Recommendation(s) The Cabinet is recommended to: (ii) Approve the revised approach for the procurement of supplies and services' contracts for the provision of a cashless catering and online payment solution, in accordance with the strategy set out in the report; and (iii) 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(s).	
Reason(s) To assist the Council in achieving its priority of a "Well run organisation".	

1. Introduction and Background

- 1.1 In November 2017, Catering Services sought and received approval to procure through a full Open tender, a cashless catering hardware replacement system to include software upgrade, support, installation and maintenance of the new system for 3 years, plus the possibility of two further extension of up to 12 months
- 1.2 Since receiving approval, several factors have influenced the decision to seek further approval to change the originally proposed route to market and include additional requirement into the scope of the contract.
- 1.3 Catering Services has recently piloted a Kitchen Management Software Solution delivered by Cypad and also have an annual license agreement for the provision of Nutritional Analysis Software provided by Fretwell-Downing Hospitality (Saffron).
- 1.4 To achieve value for money, it is proposed to bring these requirements within the scope of the Cashless Catering Strategy in order to achieve economies of scale through the increased buying power presented as a result of aggregating these requirements. Further savings will be achieved as result of less hardware (in the form of additional tablets required to operate the Kitchen Management Software) being procured as part of the proposed procurement of Cashless Catering Terminals/tablets.
- 1.5 In light of this information, and the constraints which have impacted upon the previously proposed timeline, a revised indicative project timeline for the Cashless Catering Procurement has been provided below.

2. Proposals

2.1 Proposed Procurement Strategy

- 2.1.1 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.
- 2.1.2 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.
- 2.1.3 A schedule of rates shall be required from all suppliers which shall remain valid throughout the contract term and will be used to call off all additional requirements during this period. This shall be required for both Lots 1 & 2 and shall employ a volumetric tiering approach which shall lock in prices for a minimum number of asset to be procured and achieve further savings for increased activity, thus reducing risks associated with any downward or upward scalability.
- 2.1.4 To determine whether a lease or buy option provides greater value, each lot will be evaluated to determine the most economically suitable option in terms of financial viability and sustainability and will consider the following factors which will form part of the evaluation criteria:
 - Initial Payment

- Annual Payment
- Licence and Hosting Fees
- Maintenance and Repair Costs
- Installation and Set Up
- Training
- System Upgrades and Innovation

2.1.5 An investment appraisal will be conducted to determine the annual cash outflow for each option and shall be based on assumptive figures for the purpose of the evaluation only. This will be assessed in consideration of the capital investment to be made available for this provision and attributed to the areas above to determine the most advantageous option. As such, an indicative periodic and terminal cashflow position will be determined and the position presenting the lowest present value of cash outflow will be selected.

2.1.6 Should a lease option be the most advantageous, it is likely that a transfer of ownership of all assets procured shall occur at the end of the Contract.

2.1.7 The procurement will be conducted under the Restricted procedure. The Restricted process will allow for the maximum engagement of the market, whilst restricting the volume of full tenders received to a manageable quantity. This approach will also encourage SME involvement and supplier consortia and will be likely to produce the best value for money.

2.1.8 It is the intention to source and appoint a single Provider to deliver all parts of the Cashless Catering Service, although It is assumed that the Provider may sub-contract a proportion of the provision to a third-party supplier(s). This approach allows for clear and distinct areas of responsibility as Provider will be required to secure sufficient assurance that sub-contracts with its suppliers are robust and include all necessary provision to satisfy the requirements, which will be assessed at the pre-qualification stage. Any non-performance of any aspect of the service shall be the sole responsibility of the Lead Provider under this Contract.

2.1.9 All Suppliers will be required to demonstrate at SQ stage before progressing to the ITT stage sufficient financial standing and that sufficient and relevant internal policies, procedures and accreditation to include GDPR, Cyber Security, Business Continuity and Disaster Recovery Plans and H&S policies are in place before the commencement of the contract.

2.1.10 A PIN (Prior Information Notice) will be published for the Cashless Catering System to provide prior notification to the open market of our intention to procure. This publication will, in accordance with Public Contracts Regulations 28 and 47, allow for the timescales required to be reduced. It is the intention to utilise this, by reducing the timescales from 30 to 20 days for each of the SQ (Selection Questionnaire) and ITT (Invitation to Tender) stages. The PIN Notice issued will not be a formal call for competition.

2.2 **Outline specification of the works, goods or services being procured**

2.2.1 The key requirements to procure the replacement/upgraded Cashless Catering Systems shall consist of approximately:

- 120 EPOS terminals and/or enabled tablets running at least Windows 8.1 OS and ancillary equipment;
- Software for advanced reporting, nutritional analysis, menu planning, inventory and kitchen management and which provides various interface capabilities; and
- Capable of storing/transmitting all the relevant information and which provides a method of communication with central offices, full management, backup and archiving services for the system and the data it contains.

2.2.2 The Provider must install, maintain and provide any upgrades as necessary to enable the correct functioning of the equipment and must, at its own cost, supply all consumables such as stationery and materials necessary to the delivery of the Service. A Schedule of variable costs shall be required which will include (but will not be limited to): Peripherals such as cables, wireless aerials, battery packs, plug-in card readers, Biometric readers, ethernet cables etc.

2.3 **Estimated Contract Value, including the value of any uplift or extension period**

2.3.1 The total contract value for the initial three years, plus a two-year extension has been estimated to be circa £600,000. This includes the total purchase price range for hardware and software, the cost of support services provided by the contractor. The total budget capitalized for this project to cover the initial outlay and ongoing support costs for the duration of the initial three years is set at £500,000. The additional £100,000 will only be required should the contract be extended. It is expected that an additional budget to cover the surplus will be allocated in-year at the time of an extension, should this option be considered.

2.3.2 If the successful supplier is the incumbent supplier, the overall contract cost may be reduced.

2.4 **Duration of the contract, including any options for extension**

2.4.1 The Contract duration shall run for a period of 36 Months plus the possibility of two further extension of up to 12 months each subject to the satisfactory performance of the Provider.

2.5 **Recommended procurement procedure and reasons for the recommendation**

2.5.1 It is recommended to undertake a Restricted Procurement Procedure to procure the Cashless Catering System, restricting the number of providers Invited to Tender to 5, based on those scoring the highest score at SQ (Selection Questionnaire) stage. This approach will allow us to engage the entire market to assess capabilities and capacity, prior to receiving details solution orientated submissions.

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

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

Outline Procurement Timetable for Cashless Catering System

Indicative Timetable	Dates
Procurement Strategy Report to Cabinet	19 June 2018
OJEU Contract Notice placed on or around	27 June 2018
SQ returned on or around	17 July 2018
SQ Evaluation completed on or around	23 July 2018
Issue ITT	26 July 2018
Tenders returned on or around	15 August 2018
Tender Evaluation completed on or around	24 August 2018
Award Report Sign Off	27 August 2018
Alcatel (10 days)	3 - 14 September 2018
Contract Commencement	Around mid-September 2018
Publish Contract Award Notice on Contracts Finder	Mid-September 2018
Implementation	22 September 2018 – 22 October 2018

2.6 The contract delivery methodology and documentation to be adopted

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

2.6.2 The contract will be managed and monitored by Catering Services Head Office / Traded Services Head Office from the commencement of each contract which is expected to be around October 2018.

2.6.3 Formal contractual performance review meetings will be arranged monthly for 1st year, then quarterly thereafter so that performance is actively monitored.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract

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

2.7.2 Saving to be realised shall be measured against the historic expenditure for the provision outlined above and benchmarked prices.

2.7.3 Further efficiency savings are expected but as yet, have not been quantified.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

2.8.1 The criteria will be set based on 60% pricing and 40% quality. The Traded Services Procurement Category Manager will advertise the contract widely, on OJEU, Contracts Finder and the Council's website.

2.9 How the procurement will address and implement the Council's Social Value policies

2.9.1 Consideration shall be made of how the Contract may improve the social, economic and environmental well-being of residents within the Borough as part of the

procurement process and shall form part of the award criteria. Contractors will be required to demonstrate a commitment to providing further social benefits as part of this Contract by proposing innovative means to achieve one, or all of the following outcomes:

- Providing employment opportunities for long term unemployed residents within the Borough;
- Offering Work Placements for School leavers within the Borough.

2.9.2 Contractors will be encouraged to make further proposals over and above those listed in consideration of these and all other Authority considerations as part of their tender submission.

3. Options Appraisal

3.1 **Do nothing** – Rejected as the continuation of the current system would pose a significant security risk to both the Council and its partner agencies as a result of Microsoft no longer supporting Windows XP post 2019. Schools would be obliged to discontinue use of the system which would have serious financial implications with regards to supplying school meals throughout the borough. In addition, it would not be possible to leverage efficiency savings by making use of new technologies in the marketplace, becoming 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 considered to be 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

- 6.1.1 The risk identified and mitigating measures to be employed have been provided within the table below.

Risk	Description and Mitigation
Risk of failure to procure before the expiry of existing arrangements	Failure to procure before the expiry of existing arrangements could lead to service disruption – a waiver has been sought for up to 6 months to facilitate the process to mitigate against this risk.
Risk of supplier failure	The Suitable Trading Level has been set for Cashless Catering System using a risk register which look at the risk of contract failure due to financial instability and the consequential risk of failure to the Authority. The STL has been set at a value of £900,000 which one and half times (1.5) the estimated total contract value.
Risk of loss, theft or misappropriation of data	Cyber Security - The Authority's IT and Transformation department and the Information Governance Team has been formally engaged to provide support with these projects and to ensure adequate protection is secured. The Supplier will be required to demonstrate compliance with all relevant legislation (i.e. GDPR) and the adoption of Cyber Essentials and PCI Compliant as a minimum
Risk of Non-compliance with the General Data Protection Regulation 2018	Privacy impact assessments are currently underway to ensure full compliance with the new provisions. Any necessary provision shall be built into the specification, contract terms and technical questions and measures will be implemented to satisfy all requirements to protect Traded Services, Schools and the Authority from any associated risks which may be identified.
Risk of Business Continuity or Service Failure	The Authority and schools may be prevented from meeting their statutory obligations in respect of providing free school meals to pupils. If the system is not upgraded and the operating system is expose to security vulnerabilities, School ICT Managers could refuse permission and access for Catering Services to operate equipment on school networks.
Reputational Risk and Impact on Competitive Advantage	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.

6.1.2 A Risk Assessment of the impact of Contract Failure has been conducted based on the CIPFA 2011 guide and toolkit: 'a pre-qualification questionnaire toolkit.

6.2 **Safeguarding Children**

6.2.1 A key requirement for the overall Service is to be capable of facilitating the secure collection of payments from parents/carers, allowing payment deposits or online accounts to be used against the purchase of their child's school meals. The Service must also have the ability to recognise and cater for Free School Meals (FSM) and Universal Free School Meals (UFSM) and Subsidised School Meals and store all the information required to process, manage and reconcile payments securely in a central/online system. This removes some of the stigmas associated with Free School Meals, Universal Free School Meals or Subsidised School Meals by affording total anonymity to users.

6.2.2 Nutritional Analysis Software shall support Traded to Services to continue to deliver the well-established and flexible service, with nutritionally analysed menus in line with central government standards. Providing carefully planned meal choices and wherever possible taking into consideration children's likes and dislikes whilst ensuring variety and catering for allergies and special dietary needs.

6.2.3 The Kitchen Reporting Software to be procured will support the Traded Services meet its obligations under GDPR by safeguarding the right to privacy for pupils in terms of improved confidentiality and information sharing practices.

6.3 **Health Issues**

6.3.1 Long-term objectives of the Cashless Catering Management System include:

- to encourage healthier eating with Schools; and
- to continue to provide Parents with a flexible and secure Online platform to top-up and manage School Meal accounts, increasing school meal take up and promoting healthier eating.

6.3.2 A key aim of the Kitchen Management Software is to support kitchen staff to plan, operate and manage kitchen activities more efficiently and developing new ways of working in terms of stock ordering and replenishment practices. The Software is also required to provide advanced reporting capabilities to support menu development at a granule level. This will support the preparation of healthier, nutritious meals across all maintained schools.

6.3.3 The Nutritional Analysis is intended to afford the added benefits seamlessly generating detailed information based on menu ingredients to include calorie, fat, salt and additive content which will support Catering staff to accurately prepare and manage meals and menu choices in consideration of healthy eating policies and initiatives and pupil allergies and/or intolerances.

7. **Consultation**

7.1 The proposals within the original report were considered and endorsed by the Corporate Procurement Board on 16 October 2017 and by Cabinet in November 2017.

- 7.2 This revised approach was endorsed by the Commercial Lead, Hilary Morris, on behalf of the Procurement Board on 24 May 2018.

8. Corporate Procurement

Implications completed by: Euan Beales – Head of Procurement

- 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 and Contract Award Notice will be placed in OJEU and Contracts Finders. A notice will also be placed on the Council's website.
- 8.2 Publication of the PIN Notice and subsequent reduction in timescales are not perceived to be disadvantageous to the Authority or Providers and complies with the Public Contracts Regulations 28 & 47.

9. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager, Service Finance.

- 9.1 This report requests approval to proceed with the recommended change in procurement strategy for the cashless catering replacement system and the Online Payment system. The costs for the replacement of the entire till and on-line payment system is estimated to be £500,000 over the 3-year contract period, with the option to extend the contract for a further two years at an estimated cost of £50,000 p.a. This does not include the costs of the Stock/meal management systems for which benchmarking will be carried out prior to procurement.
- 9.2 A revenue allocation to capital of £500k has previously been set aside and is expected to cover the costs of the full system. It is expected that if the procurement of all three systems is not affordable within the available budget, system requirements will be tailored to remain within budget.
- 9.3 A separate decision will be required as to whether this funding can be transferred directly to the company or if it will be provided in the form of a loan. This funding was set aside from surpluses generated by the relevant services whilst they were part of the council and so it may be appropriate for it to be transferred directly. This should be clarified before the final decision is made.
- 9.4 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 income generated by the Traded Services Company which comes into existence from 1st April 2018.
- 9.5 This report sets out a mechanism for determining whether outright purchase or a lease arrangement is more advantageous. This will need careful implementation but should ensure that best value is achieved.

10. Legal Implications

Implications completed by: Pamela Igbo, Regeneration Project Lawyer, Law & Governance

- 10.1 This report seeks Cabinet approval to undertake a procurement exercise for the supply of a cashless catering hardware system including software upgrade, support, installation and maintenance of a new system. Given that the proposed contract comprises the supply of a hardware system as well as the provision of support and maintenance services and is valued above the stipulated EU threshold for goods and services which is £181,302, it will be governed by the provisions of Regulation 4 of the PCR 2015 and will be categorised as a mixed contract.
- 10.2 Regulation 4(1)(b)(ii) of the Public Contract Regulations 2015 stipulates that where a contract has as its subject matter two or more categories, e.g. supplies and services, the correct categorisation is made by reference to the main subject of the contract. In this instance the main subject matter is determined by reference to the part of the contract that has the greater value. The cashless hardware system is estimated to cost up to £500k, with its related maintenance service likely to cost approximately £100k therefore this contract will be categorized as a supply contract.
- 10.3 Officers wish to procure the above-mentioned contract utilising the Restricted Procedure as set out under Regulation 28 (10) of the PCR 2015 therefore interested bidders will be required to submit expressions of interest, however only those meeting LBBD's Pre-qualification selection criteria will be invited to tender. In addition, a minimum of 5 bidders must be selected to tender unless fewer suitable candidates have applied and these are sufficient to ensure genuine competition.
- 10.4 Under the Restricted Procedure the minimum time limit for the receipt of Selection Questionnaires and ITTs from bidders is 30 days, however Regulation 28(10) permits a reduction of this period where a state of urgency duly substantiated by the contracting authority has rendered the time limit impracticable. In this instance Officers have set a time limit for the receipt of SQs and ITTs of 20 days respectively which is satisfactory provided officers have ensured that that they can substantiate their reasons for doing so.
- 10.5 Officers are to ensure that they do not negotiate with bidders following the submission of tenders however the clarification of bids and the finalisation of contract terms with the successful tenderer is permitted.
- 10.6 The proposed contract has been divided into two separate lots in accordance with Regulation 46(1) PCR 2015 therefore Officers are to ensure that they indicate in the contract notice whether tenders may be submitted for one or both lots.
- 10.7 The report author and responsible directorate are advised to keep the Law & Governance team fully informed at every stage of the proposed tender exercise. The team will be on hand and available to assist and answer any questions that may arise.

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

List of appendices: None