

School and Caterer/ Supplier Interim Arrangements Advice Guide (Single site and small group outsourced contracts) V3-Published: 10th July 2020

Protect Schools, Save Caterers, Build Relationships

Explanatory notes on the specifics of outsourced school meals contracts:

The predominance of existing contracts are formulated on receipt of income either directly or via school invoice for free issues, UIFSM and FSM.

This income (or turnover) invariably achieves either:

1. All outgoings and company earnings (commonly referred to as Nil Cost)
2. All outgoings and company earnings as well as returning a profit share to school (Profit Share)
3. Part of all outgoings and company earnings with the supplier also invoicing for a subsidy contribution (Subsidised)

In the likely event that normal income may be depleted for a period of time the currently agreed standard contract terms will be un-achievable by suppliers. And in order to **support** “suppliers at risk” (essentially ALL operators in outsourced education catering) schools, academy’s, MAT’s and other educational establishments are required to work closely with their suppliers and adapt contractual and financial terms accordingly.

In formulating an agreeable interim invoicing period suppliers and schools need to agree on essential charges to reduce the risk to the supplier. And as we approach the new academic term new financial plans are required based on fixed and variable costs that **protect exposure for all parties**.

There may be further instruction or guidance that could affect this approach and instructions will be agreed and circulated accordingly.

Likewise, organisations should always consult with their legal, HR, audit and finance colleagues to ensure local procedures and regulatory processes are being adhered to.

Introduction

In keeping with government guidance, it is now incumbent on all parties to agree a formula of invoicing for this temporary period from 1st July 2020 to 31st October 2020.

Procurement Policy Note 04/20: Recovery and Transition from COVID-19

<https://www.gov.uk/government/publications/procurement-policy-note-0420-recovery-and-transition-from-covid-19>

Supplier Relief is not intended as an ongoing support mechanism and each case must be agreed to protect mutual financial and operational interests.

In consultation with many caterers and schools over the last few weeks a common formula has been agreed to achieve the **most efficient and economical** solution and **this is best served** by agreement

to a revised 12 month financial plan to run to 31st December 2020, the Easter 2021 period end or end of the summer term 2021- dependent on the normal anniversary of the contract.

Contracting Authorities now require the following from Suppliers for the purposes of auditing:

Compilation Period: 1st July 2020 to 31st August 2020:

If the natural contract anniversary is in line with the academic period:

A final year end trading statement including a full profit and loss account for the year and details of staff costs that had been deducted owing to the CJRS. Note: if requested Suppliers may need to provide additional certification of their CJRC scheme with the Government.

For contracts outside of the academic start and finish period:

A partial year end trading statement including a full profit and loss account for the period and details of staff costs that had been deducted owing to the CJRS. Note: if requested Suppliers may need to provide additional certification of their CJRC scheme with the Government.

Plus, any reconciliation statements and refunds that may be due as well as any agreed apportionment of profit share. An independent audit of accounts would be desirable.

Please note: these reports will be cross checked against original budgets and the **Authorised Officer** reserves the right to challenge any and all expenditure. Failure to achieve an acceptable audit of activities may escalate to contract renegotiation or termination in accordance with current terms and conditions.

Suppliers are now also required to present workable financial plans and budgets for the next 12 months, or new term.

Suppliers and Schools will need to agree the intended service method, menu and volumes for September as well as the tariff and initial staff deployment.

Budget projections and proposals can incorporate:

1. Fixed and performance related management fee
2. Agreed overheads, fixed and variable
3. Food and consumable cost as a percentage of income
4. Alternative versions with say 60%, 75% and 90% take up of income scenarios either phased across September 20 to March 21 with each month rising incrementally (As compared to the last reliable 12-month trading history) or an agreeable worst case baseline target for the period
5. Clear statement as to the reduction of subsidy, return to school and/ or profit share after achievement of set targets

Essentially, a cost-plus management fee approach with capped liabilities as well as a clear mechanism that, as sales increase, the client can see a tangible benefit as this occurs.

Revised Financial Offer for the period commencing August/ September 2020 and to run to the natural anniversary date of the contract.

Suppliers are to prepare their budgets following discussions with their Schools on service method, volumes, and other factors. (To include any price/tariff reviews)

These are to include fixed and variable headings, as per below, which are to be incorporated into monthly trading statements that also show income headings. Failure to support periodic invoicing with trading statements **will cause delay** on payment.

Suppliers and Schools are to also agree milestone levels or activity (Or levels of in-activity) that may prompt a **substantial review** of the services if it is deemed to be untenable as a result of low take up or further business interruption, therefore, frequent monitoring is essential.

	Item	General	Specific Notes
1	Food & Beverage consumption	At normal (net) cost and must equate to X% of the income based on the expected Gross Profit	Variable at Fixed percentage
2	Cleaning consumption	At normal (net) cost and must equate to X% of the income. (Additional cleaning expenditure by agreement)	Variable at Fixed percentage and agreed additional expenditure.
3	Packaging, disposable consumption	At normal (net) cost and must equate to X% of the income. (Additional expenditure by agreement)	Variable at Fixed percentage and agreed additional expenditure.
4	Investment & opening costs depreciation	Charged at normal 1/ 12 th accordingly/ month	Fixed cost
5	Committed fixed costs, e.g. insurance, cashless, licences, IT hardware/ depreciation, telephone, vending rental, vehicle charges, other contractual fixed fees, rentals and the like	Charged at normal 1/ 12 th accordingly/ month. (Note: Contractual fees may need to be supported by evidence of expenditure)	Fixed cost
6	Management Fee	Charged at normal 1/ 12 th accordingly	Fixed cost
7	Management Fee	Based on improved performance	Variable
8	"On site"/ furloughed staff costs	Zero charge other than essential/statutory pension, bond, training levy and items NOT covered under the Coronavirus Job Retention Scheme.	If applicable up to 31.10.20.
9	"On site" operational staff	Normal charges	Fixed cost
10	Profit share	Dependent on performance for the period it is expected that the Supplier commits to its intended profit share method that it will state in the financial offer for this period.	Variable

Notes:

Headline	Details
Furlough period and output requirements	Forecasting over August, September and October is unpredictable in terms of income and Suppliers will need to discuss service levels and volumes with their schools to agree the new term initial staffing compliment. In the event of expected lower personnel hours required, e.g. limited or packed lunch menu for the first ½ term then the staff compliment can be re-introduced proportionately. (Part normal payroll and part furlough to be considered also)
2019/2020/2021 trading period	It is understandable that the impact on annual budgets and contract agreements, including any profit share, will be affected by the reduction of trading days and potential slow start in the new term. Any new financial modelling must be agreeable by the Authorised Officer and the Supplier must demonstrate its best endeavours to be as cost effective as possible. The use of phased budget forecasting that can reflect the previous months trading, and subsequent annual outturn, is desirable. At least a budget to actual monthly statement will suffice in identifying trends. Non pupil sales attracting VAT must meet with current legislation. Schools and suppliers to discuss temporary VAT implications.
Supplier audit agreement	Supplier to confirm that in the event of an audit that results in any overcharges uncovered-these will be reclaimed by the school, and vice-versa. Openness on accounting is essential and must divulge any discounts and overrides that may be gained in addition to any committed discount return. Arbitration for unresolved matters will be allowable.

Return to full operations: It goes without saying that thorough cleaning and sanitising will be required for all equipment, utensils, touch points and front of house items.

Likewise, additional PPE and some changes to initial (and possibly longer term/ new methods of working) operations will need to be considered and planned for before re-opening and will include new arrangements for higher sanitary activity and frequency of cleaning.

Schools and Suppliers **will need to liaise** closely on this including any new methods of service to include any close proximity activity that may require additional PPE/ Visors for till operators for example.

Suppliers will be required to provide Schools with their Risk Assessments and evidence of training for heightened food/ personnel and customer safety. Ongoing monitoring will involve compliance to statutory and locally agreed safety systems. (Examples: Disposal of packaging, security sign in, kitchen access, comminutions & staff welfare policy etc.)

<https://www.gov.uk/government/publications/covid-19-guidance-for-food-businesses/guidance-for-food-businesses-on-coronavirus-covid-19>

Thank you to schools and caterers who assisted with this!

Note: The above notes are for guidance only. No intention is made to provide legislated instructions and caterers and schools will need to determine the best route for this interim period. It is based on a realistic formula to protect all parties' financial interests until such time as normal services resume. GY5 accepts no liability or responsibility for this guidance note.

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