

<b>COMMITTEE:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>18 DECEMBER 2003</b>
<b>SUBJECT:</b>	<b>CATERING OUTSOURCING</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF TOURISM &amp; LEISURE</b>
<b>Ward(s):</b>	All
<b>Purpose:</b>	To advise Members on progress with the procurement of outsourcing the Councils catering provision to a private sector partner.
<b>Contact:</b>	Diane Bagley, Head of Sport, Recreation & Leisure, Telephone 01323 415402 or internally on extension 5402.
<b>Recommendations:</b>	<p>That the Cabinet</p> <ol style="list-style-type: none"> <li>1. Endorses the recommendation of the Catering Outsourcing Project Board to complete documentation with the preferred contractor</li> <li>2. Authorises the Chief Executive in consultation with the Director of Finance and Corporate Services and Cabinet Spokesperson for Culture to complete documentation with the preferred contractor and to award the leases and contract for the provision of Catering Services for a 15 year period.</li> </ol>
<b>1.0</b>	<b><u>Background</u></b>
1.1	An options appraisal for the provision of the Council's catering services was completed in February 2003 and the results were reported to this Cabinet's meeting on 10th April 2003.

1.2	It was agreed by Cabinet that a procurement process should be carried out which, in the first instance, was to invite tenders for the whole current catering operation linked to investment in new facilities and/or the whole catering operation and/or separate contracts for the Devonshire Park Centre and the Seafront Catering.
1.3	Advertisements were placed both nationally and locally in May 2003 and 14 expressions of interest were received. A pre-qualification questionnaire (PQQ) was sent to the bidders and 8 completed PQQ's were received back on 30th May 2003. Financial checks were made and on 12th June the Council's procurement team met to prepare a shortlist of tenderers. The returned PQQ's were evaluated and a short list of 6 contractors was agreed upon. This decision was endorsed by the Project Board. The 6 contractors were consequently invited to tender.
2.0	<b>Receipt of Tenders</b>
2.1	Full tender documentation was prepared and despatched to the six contractors on 31st July 2003.
2.2	The potential tenderers were invited to an information and clarification meeting on 3rd September. Three declined and advised us that they were withdrawing. Three contractors attended and were given the opportunity to ask questions and tour our facilities with the General Manager of Coastline Caterers. Unison also attended this meeting and outlined to the Contractors their expectations for the future.
2.3	One tender was received on 19th September 2003. This was for the whole current catering operation and investment in our facilities. The details of this tender were given to members of the project board on 19th September. The Council's procurement team and unison met on 2nd October to evaluate the tender and it was agreed to recommend this tender as a preferred contractor to the Project Board. The Board agreed to recommend the preferred contractor to Cabinet.
3.0	<b><u>The Lease and Contract</u></b>

3.1	Members of the procurement team have met with the preferred contractor to clarify statements made in the tender and to negotiate contract and lease issues. The team are working to a proposed contract and lease to start date of 1st April 2004.
3.2	It is proposed that Cabinet authorise the Chief Executive and Director of Finance and Corporate Services in Consultation with the Cabinet Spokesperson for Culture to complete the negotiations and contract documentation with the preferred contractor and to award the lease and contract for our whole current catering operation and investment in facilities for a 15 year period.
3.3	The leases will be on a full repairing and insuring arrangement for the outside facilities during the length of the lease and contract, the contractor will repair, maintain and enhance the outside facilities and Winter Garden kitchen and bar areas.
4.0	<b>Human Resource Implications</b>
4.1	Consultation has been ongoing with UNISON and their Regional Officer has accompanied the local Catering Steward to formal meetings with the Project team and preferred contractor. Relationships are positive and the feedback from employees in the team is supportive of change and the opportunities of the potential new contract.
4.2	The preferred contractor is adopting a 'can do' approach to the issues and is enthusiastic in its commitment to effecting a successful transfer of staff to their ownership.

4.3	<p>The issue of most concern to the permanent workforce transferring under TUPE is one of those which is not protected under such a transfer. This is the employees' Pension arrangements.</p> <p>Under TUPE, there is an obligation on the contractor to provide a 'broadly comparable pension scheme'.</p> <p>In accordance with the 2003 Code of Practice from the Office of the Deputy Prime Minister, as a local government organisation we promote to the Contractor the potential for membership of the Local Government Pension Scheme. Where this proves impractical, we ask them to provide a broadly comparable, 'good quality employers' pension scheme'.</p>
4.4	<p>Therefore, the preferred contractor has been encouraged to consider an admission agreement to the Local Government Pension Scheme (LGPS). The feasibility of this option depends on an actuarial evaluation of the scheme membership from the transferring group of employees. Three potential scenarios have been requested from the Actuary in an effort to inject as much flexibility into the negotiations as possible. At the point of writing, whilst willing to consider admission to the LGPS, the preferred contractor reserves its position on this matter until further financial information is forthcoming.</p>
4.5	<p>We remain committed to working with them to find an equitable solution to this issue. UNISON has stated that preserving the pension provision for those LGPS members transferring to the contractor is their priority. This affects a group of 13 staff in Catering. The indications are that the trade union is prepared to be pragmatic as regards future pension provision for new entrants in that area, if necessary. We take on board these factors in progressing discussions under the contract.</p>
4.6	<p>The Council will continue to seek to iron out this problem in relation to pension provision and to secure the agreement of the contractor to provide future employment packages which 'are, overall, no less favourable to those of transferred employees'.</p>
5.0	<p><b><u>Consultation</u></b></p>

5.1	Consultation has taken place with staff, Unison and our Conference Team. Unison has sent a letter supporting the preferred contractor and stating their desire to continue to work with them in the future on a partnership basis.
6.0	<b>Financial Implications</b>
6.1	Full financial information will be reported to Cabinet when negotiations have been completed.
6.2	A management contract with investment, linked to full repairing and insuring lease terms with the preferred contractor will be negotiated and agreed within existing budgets. This is dependent on the services that currently support Coastline Caterers finding savings in line with their current level of recharges.
7.0	<b>Environment, Youth and Anti-Poverty Implications</b>
7.1	The preferred contractor is offering to enhance, repair and maintain the facilities covered in the leases for a period of 15 years.
8.0	<b><u>Summary</u></b>
8.1	The primary purpose of this report is to seek the Cabinet's authorisation for officers in consultation with the Cabinet Spokesperson for Culture to conclude the tender process for the award of the catering contract and lease for a 15year period to commence on 1st April 2004.
8.2	The transfer of the financial risk and the repair responsibility plus the proposed improvements and the continued service levels will be advantageous to both the public and the Council.

<p><b>Diane Bagley</b> <b>Head of Sport, Recreation &amp; Leisure</b></p>	
<p><b>Background Papers:</b></p> <p>The Background Papers used in compiling this report were as follows:</p> <ul style="list-style-type: none"><li>.. Project Board Meeting Agendas and Minutes</li><li>.. Contractor Tender Documents</li><li>.. Condition of Contract</li><li>.. Statement of Requirements</li><li>.. Invitation to Tender</li></ul> <p>To inspect or obtain copies of background papers please refer to the contact officer listed above.</p>	