



# THE POLICE & CRIME COMMISSIONER FOR CLEVELAND

## DECISION RECORD FORM

**REQUEST:**

Approve the recommendations put forward for each LOT of the current catering agreement.

**Title:**

Provision of Catering Services.

**Executive Summary:**

The current catering contract expires on 31/01/2014.

It is not recommended that the contract be renewed, rather alternative provisions be arranged. Please see attached report for more information.

**Decision:**

The PCC is asked to approve the recommended options for the future provision of catering services.

**Implications:**

Has consideration been taken of the following:

	Yes	No
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(If yes please provide further details below)



## **Report of the Chief Constable to the Police and Crime Commissioner for Cleveland.**

**Status: For Decision**

### **Procurement report for the provision of Catering Services.**

#### **1. Purpose**

- 1.1 The purpose of this report is to advise the Police and Crime Commissioner of the options available following the recent procurement review of Catering Services.
- 1.2 The current contract for Catering Services expires on the 31/01/2014.
- 1.3 It is evident that from reviewing sales figures from the current contractor, the service is not sustainable in the current marketplace if the force were to consider re-tendering the whole service on a nil subsidy basis.
- 1.4 Also, any new contract would be short term as the new Police HQ planned for operation in 2015/2016 does not currently have a staff restaurant facility designed within it.
- 1.5 As a result, each of the six lots within the current catering agreement has been assessed and the most cost effective solutions for each LOT have been recommended.

#### **2. Recommendations**

- 2.1 That the Police and Crime Commissioner note the options available and the recommendations for each LOT put forward.
- 2.2 That the Police and Crime Commissioner agrees to accept the below recommendations for each LOT as the best value solution going forward.
- 2.3 LOT 1 (Staff restaurant) – Closure of Ladgate Lane staff restaurant from 01/02/2014.
- 2.4 LOT 2 (Hospitality) - New agreements to be put in place with local service provider, call off contract.
- 2.5 LOT 3 (Operational feeding) – New agreements to be put in place with local service provider, call off contract.

- 2.6 LOT 4 (Prisoner meals) – Purchase from National framework contract (Kent Police)
- 2.7 LOT 5 (Vending machines) – Continuation, negotiation on new leases directly with service providers.
- 2.8 LOT 6 (Dry Goods – remote sites, incident rooms) – New agreement to be put in place with local service provider, call off contract.

**3. Reasons**

- 3.1 The current catering agreement was awarded in January 2009 and is due to expire on 31/01/2014.
- 3.2 As part of the contractual terms and conditions of the catering agreement; 8 FTE employees TUPE transferred to the new catering provider in January 2009.
- 3.3 The catering agreement is divided into six Lots; Staff restaurant, Hospitality, Operational feeding, Prisoner meals, Vending machines & dry goods.
- 3.4 Since the contract award, a large erosion of sales has occurred due to significant staff changes at Police HQ (Staff transfer to Steria and the opening of the SSC building) and also a significant reduction in force hospitality and operational feeding requirements as well as force budget lines.
- 3.5 As an example of the decline in sales and reduction of volume that the current contractor has experienced; the below comparison shows a financial summary of when the contract was first awarded in 2008/2009 and actual sales figures from 2012/2013.

**Financial Summary 2008/2009**

Vending income £31,650.77  
 Served income £128,257.46  
 Operational feeding £24,275.28  
 Prisoner feeding £48,911.22  
 Hospitality income £55,000

Total Net income £288,094.73

**Financial Summary 2012/2013**

Vending income £16,000  
 Served income £73,000  
 Operational feeding £4000  
 Prisoner feeding £50,305  
 Hospitality income £6000

Total Net income £149,305.00

**4. Options**

LOT 1 – Staff restaurant.

- 4.1 The staff restaurant at Ladgate Lane provides a catering service to Police officers and Police staff; the service isn't subsidised by Cleveland Police therefore the current contractor has taken volume risk within the contract and has the responsibility of controlling costs and running the catering service whilst aiming to make a profit during the overall life of the contract.

- 4.2 As documented above, there is now a significant annual deficit within the contract due to reduced footfall through the restaurant and a significant reduction in force catering budgets and operational requirements.
- 4.3 Any option of keeping the staff restaurant open on expiry of the current agreement; would require the force to contribute up to £40,000 in subsidising the operation to make the contract viable and ensure that the volume risk is shared equally.
- 4.4 Any annual subsidy cost would be in addition to the increased margin on prisoner meals which the force pays the current contractor which is approximately £24,000 per annum. There is also approximately £8000 in servicing/reactive maintenance fees for kitchen equipment and also £5000 in utility costs that the force is responsible for.
- 4.5 The true cost to Cleveland Police in having a catering operation with an annual subsidy would therefore be as follows:
- Annual subsidy £40,000
  - Annual margin on prisoner meals £20,000
  - Annual Maintenance £8,000
  - Annual Utility Costs £5,000
  
  - **Total Annual cost £73,000**
- 4.6 The option of continuing with the staff restaurant from February 2014 does not provide Cleveland Police with the most cost effective solution, there is also a possibility that any new service provider could ask for further funding contributions from Cleveland Police should sales deteriorate any further.
- 4.7 The current sales volumes suggest that the staff restaurant is only used by a number of people each day therefore there would be appear to be minimum risk in closing the operation completely and having vending requirements only.
- 4.8 The closure of the restaurant would have minimal impact on officers and staff; the area would remain as a dining area and have seating, microwaves and vending requirements.
- 4.9 The restaurant closure would also draw a parallel with other district HQ buildings that only have vending requirements on site as well meet the general consensus throughout the force that there is no real requirement for a staff restaurant.
- 4.10 This view is also confirmed with the fact that the new police HQ which is due to be operational in autumn 2015 does not have a staff restaurant facility designed within it.
- 4.11 There would be a financial implication for Cleveland Police with the closure of the staff restaurant in that the force would be required to pay £9400 in catering staff redundancy costs (As per T&C); This cost could be part funded from the sale of the assets within the restaurant (Freezers, oven, dishwasher, display cabinets etc) which are estimated to be valued between £6,000 to £8,000.

## **Recommendation**

Due to the increased budget pressures within the force, significant reduction in footfall through the restaurant and the move to the new HQ in 2015 with no restaurant provision, it is recommended that the staff restaurant is closed from 31/01/2014.

### LOT 2 – Hospitality requirements

- 4.12 The current contractor is responsible for delivering hospitality requirements with a range of buffet and conference refreshments throughout the forces business area; this service is delivered by the catering team based at the Ladgate lane site.
- 4.13 As noted within the financial summary, this area of the business has seen a significant reduction of almost 90% in ordering volumes since the contract was first awarded in 2009.
- 4.14 The reduction in hospitality and other lots within the agreement ensures that the current catering staff structure is unbalanced when compared against the current volume of business.
- 4.15 Due to the limited hospitality requirements and reduction in force budgets going forward; it would be practical to partner with a local SME or Local Authority organisation that already have the resource in place and call on the service as and when required to agreed response timescales.
- 4.16 In the event of putting in place a long term hospitality agreement, a formal quotation exercise would be carried out which will not only ensure value for money it will also ensure that the necessary quality and food hygiene certification is adhered to.

## **Recommendation**

A Formal quotation exercise to take place during late 2013; the opportunity will focus on local service providers within Teesside to provide ad-hoc hospitality requirements to Cleveland Police from 01/02/2014 onwards.

### LOT 3 – Operational Feeding requirements

- 4.17 Under Lot 3 of the contract, the catering contractor provides operational and emergency feeding requirements on an ad-hoc basis.
- 4.18 The feeding requirements range from Match day feeding, packed lunches for personal safety training and catering for any operational emergency event.
- 4.19 Again this is an area of the business which volumes have reduced significantly since contract award; the financial summary above shows that a reduction of over 80% has occurred since 2008/2009.
- 4.20 The losses are an accumulation of the general reduction within force budgets as well as match day feeding requirements due to Middlesbrough Football clubs current league standing and the general downturn in incidents on match days therefore requiring less officer patrols.

- 4.21 A steady influx of business through this part of the contract is from the packed lunches for Personal safety training officers; these meals are prepared at Ladgate Lane HQ and delivered to the training location.
- 4.22 With regard to the emergency feeding requirement, as part of the terms and conditions of the agreement the contractor is currently available 24/7 for any operational emergency with an agreed four hour window to allow the contractor to mobilise any feeding requirement.
- 4.23 However, during the four and a half years of the current agreement there has only ever been one call made to the contractor for any emergency feeding requirement.
- 4.24 The above information suggests that the operational and emergency feeding requirements could be included within a local contract from 01/02/2014 and future requirements could be called upon as and when required to agreed response timescales.

### **Recommendation**

A Formal quotation exercise to take place during late 2013; the opportunity will focus on local service providers within Teesside to provide ad-hoc Operational Feeding requirements to Cleveland Police from 01/02/2014 onwards.

### LOT 4 – Prisoner Feeding

- 4.15 The current contractor is responsible for supplying prisoner meals to custodial buildings within Cleveland; the meals are usually ordered in bulk by each custody suite and delivered directly to custody suites by the catering team.
- 4.16 Lot 3 is an area of the business which has seen an increase in sales volumes since the contract award, figures within the financial summary show prisoner feeding costs to be £50,305.00 per annum.
- 4.17 The current contractor adds a cost margin onto the prisoner meals once purchased and passes the cost onto Cleveland Police, this acts as an indirect subsidy to the contract and ensures a regular sales income to the contractor.
- 4.18 Should the catering operation be disbanded from January 2014 and the recommended changes agreed, Cleveland Police have the option of purchasing prisoner meals directly from the manufacturer via a national contract managed by Kent Police.
- 4.19 The procurement of prisoner meals through the National Agreement would remove any contractor margin and indirect subsidy and release a substantial cost saving to the force of approximately £24,000 per annum.
- 4.20 The future ordering of prisoner meals via the National contract could not only release a significant cost saving to the force, it would also release further efficiencies in the actual order placement with the creation of an online catalogue through Oracle whereby staff can place orders directly with the manufacturer.

## **Recommendation**

As the majority of UK forces are procuring prisoner feeding requirements through National agreement; it is recommended that on expiry of the current agreement all future prisoner feeding requirements are procured through the Kent Police National agreement.

### LOT 5 – Vending requirements

- 4.21 Under Lot 5, the current contractor is responsible for providing a full vending machine service at Police HQ and District HQ buildings.
- 4.25 The contractor is responsible for negotiating (how many) machine lease terms and re-stocking the machines across the estate, the contractor currently receives all sales income from the vending machines across the estate.
- 4.26 Current sales income from the vending has almost halved since the contract award, however this is more of a result of the current contractors pricing mechanism and product offering.
- 4.27 On expiry of the current agreement, there is an option for Cleveland Police to liaise directly with the manufacturers and negotiate new machine lease terms and even share in the profit of the machines if they achieve a certain percentage margin.
- 4.28 There are currently 14 vending machines throughout the estate which offer cold drinks, confectionary and chilled items such as cartons of Milk and sandwiches, by liaising directly with the manufacturers there is an opportunity to rationalise and refresh the vending requirements across the estate and also the product offering.
- 4.29 With the potential closure of the ladgate lane restaurant, it is likely that vending sales will increase as it will be the only on-site catering provision for staff, any new vending machines could be transported to the new HQ once fully operational.

## **Recommendation**

Negotiate directly with service providers to renew and refresh lease free vending requirements across the estate.

### LOT 6 – Dry Goods

- 4.30 The contractor is responsible for providing dry goods as and when required (e.g. Coffee, tea bags, milk, biscuits, sugar, squash, and disposable cups), the items are ordered from the staff restaurant on occasions and are to be used for remote sites and incident rooms).
- 4.31 In the four and a half years the contractor has been delivering the catering service, this requirement has been called upon once; therefore there would be minimal risk in changing this Lot to a call off contract with a local service provider.

## Recommendation

Include this requirement within the formal quotation exercise targeting a call off contract with a local service provider.

## 5 Implications

### 5.1 Finance

The recommended options within section 4 will deliver the following recurring cashable savings.

#### LOT 1

	2013/2014	2014/2015
Maintenance Fees	N/A	£8000
Utility costs	£833	£5000
<b>Total</b>	<b>£833</b>	<b>£13000</b>

The redundancy costs of £9400 with this option (which are the responsibility of Cleveland Police as part of the terms and conditions of the contract) would be funded by the sale of Cleveland Police assets within the staff restaurant and the remainder of the 2013/2014 maintenance budget.

#### LOT 4

	2013/2014	2014/2015
Prisoner Meals	£4000	£24000
<b>Total</b>	<b>£4000</b>	<b>£24000</b>

Further efficiency savings will also be identified with the ordering of prisoner meals, and Operational/Emergency feeding and hospitality requirements with a local provider.

### 4.2 Diversity and Equal Opportunities

None.

### 4.3 Sustainability

The options provided present the force with an opportunity to partner with a local SME or local Authority organisation for the delivery of Operational feeding, hospitality and dry goods requirements.

Current research suggests that for each pound spent on a small or medium-sized enterprise (SME), 63p is re-spent in the local economy.



#### 4.4 Risk

There is minimal risk involved with the options highlighted above.

Vending will still be available on certain sites to cater for staff requirements, operational feeding, hospitality and dry goods will be covered by a contract with a local service provider.

Prisoner meals will be procured from a National agreement which is used by the majority of UK Police forces.

## **5 Conclusions**

- 5.1 The catering commercial construct and offerings is not sustainable given the current volume of transactions and expenditure, the force also has insufficient funds to cover any subsidy and growth within catering budgets going forward.
- 5.2 Cleveland Police have already made the decision that there will be no staff restaurant provision at the new Police HQ building.
- 5.3 The recommended options provide all the assurances necessary to support front line policing, maintain a service whilst releasing a saving from budget lines and also still retain a catering function for the force albeit on a more efficient and cost effective level.
- 5.4 There is a requirement to make the recommended changes as speedily as possible due to the length of time required to de-mobilise the current agreement as well as tender for a local contract to commence on 01/02/2014 for hospitality and operational feeding requirements.

Jacqui Cheer  
T/Chief Constable