

REQUEST FOR DMPC DECISION – PCD 114

Title: Catering Full Business Case

Executive Summary:

This paper requests approval to award the Catering Service Provider contract to Elior UK for a contract period of three years plus potential extension of two years.

Recommendation:

The DMPC is asked to

1. Approve the decision to outsource the Catering Services to Elior UK. As part of this outsourcing, the London Living Wage (LLW) will continue to be paid to all catering staff working on MPS sites.
2. To note the contract will introduce innovative food concepts, site promotions, concept days, loyalty schemes and an overall concept refresh of food sold at MPS catering establishments. The contract requires at least 80% of food to be prepared using fresh ingredients. Menu choices will encourage healthy eating to support the wellbeing of MPS officers and staff.
3. To note the outsourcing provides the opportunity for greater efficiencies through the development of new delivery methods, the ability to utilise the service provider's expertise and large resource base.
4. Approve additional funding of £443k from the Major Change Fund to complete this proposal.
5. Approve the creation of the Catering Services Intelligent Client Function (ICF) at an annual cost of £250k to be funded from gross savings related to the Catering Services provider contract.
6. Approve the cash flow in the Operational Support Services revenue budget 2017/18 of £171k required to transition the change to be funded from the Revenue Reserves which will then be repaid in 2018/19.
7. Approve the associated redundancy costs of up to a maximum of £2.67m to be funded from the Redundancy Reserve. The MPS is working with Elior UK to minimise the number of redundancies by aiming to redeploy staff to other facilities within Elior UK.

Deputy Mayor for Policing And Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

Sybil Under

Date

9/1/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1 The project to outsource the catering services is part of the rationalisation of back office functions, supporting the One Met Model and the Police and Crime Plan.
- 1.2 Where possible the MPS will collaborate with other functional bodies and the GLA on procurement to deliver improved value for money. However in this instance, MPS service requirements suggested the need for a bespoke arrangement.

2. Issues for consideration

- 2.1 The proposal will provide a number of quantitative and qualitative benefits. Including improving officer and staff productivity through reduced queuing times, through the introduction of new technology and payment systems such as electronic point of sales and cashless payment terminals.
- 2.2 The proposal will have the ability to mobilise additional resources from within the wider organisation of Elia UK, which will have improve efficiencies in service delivery. The new catering service will encourage staff to view the catering service as a valued staff benefit, which creates a social hub for staff.
- 2.3 Further details are discussed in the Part 2.

3. Financial Comments

- 3.1 The MPS subsidy of £2.5m for Staff Feeding Services was removed from the baseline budget in 2016/17, resulting in a nil revenue budget. Over the Medium Term Financial Plan this equates to £7.5m.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Contract Savings on Staff Catering Subsidy	0	(1,995)	(2,547)	(2,549)	(7,091)
Contract Savings on Vending Services	0	(128)	(123)		(369)
Contract Savings on Operational feeding	0	(456)	(445)		(1,335)
Total Savings	0	(2,529)			(8,795)
Intelligent Client Function	0	250	250	250	750
Variance for ongoing revenue	0	(2,329)	(2,865)	(2,851)	(8,045)
Project Cost	443	0	0	0	443
Redundancy Payment (funded from Reserves)	0	2,670	0	0	2,670
Net Savings Position	443	341	(2,865)	(2,851)	(4,932)

- 3.1 Further details are provided in the Part 2.

4. Legal Comments

- 4.1 There are no legal implications arising from this report.

5. Equality Comments

- 5.1. As part of this proposal there will be a headcount reduction of 69 catering staff, to enable the financial operating model to be implemented. The profile of the catering staff varies considerably from the rest of the MPS with much higher levels of Black Minority Ethnic persons, women and with around a third of the workforce aged 50 plus.
- 5.2. This has Equality Impact Assessment implications and the MPS is working closely with the proposed catering service provider to address this. The aim is to minimise the number of redundancies by redeploying those staff at risk within other areas of the service provider's organisation.

6. Background/supporting papers

- 6.1. None.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred ? NO

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rational for non-publication.

Is there a **part 2** form – Yes

If yes, for what reason: EXEMPT under Article 2(2)(c) of the Elected Local Policing Bodies (Specified Information) Order 2011.

ORIGINATING OFFICER DECLARATION:

	<i>Tick to confirm statement (✓)</i>
Head of Unit: The Head of Strategic Finance and Resource Management has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS legal team has been consulted on the proposal.	✓
Financial Advice: The Head of Strategic Finance and Resource Management has been consulted on this proposal.	✓
Equalities Advice: No Equality and Diversity issues identified.	✓

OFFICER APPROVAL**Chief Executive Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature

R. Lawrence

Date

9/1/17

MPS CATERING SERVICES FINAL BUSINESS CASE

IAB 19th December 2016

Report by Terry Hunt on behalf of the Deputy Commissioner

EXECUTIVE SUMMARY

As part of the MPS Commercial Programme to deliver ASR savings, a procurement process has been undertaken to identify a single Commercial Provider, who can deliver catering services to the MPS at a cost that is regarded as affordable.

The procurement programme has been completed and a Service Provider has been selected on the basis that:

- They can deliver all of the required services, including Operational Feeding
- Gross savings of £8m will be achieved over 3 years for staff feeding services, net £4.9m over 3 years.
- The food and service offer will be enhanced
- The Service Provider will provide the Capital funding, with the exception of the changes to the infrastructure: new till points

In order to achieve a cost effective service, headcount reductions of 69 catering staff will be required, impacting the MPS Total Workforce EIA profile by -0.1% of females and -0.3% BME employees.

The impact of the redundancies will be mitigated by incentivising the Service Provider to find alternative employment within their organisation.

In order to ensure the outsourced service delivers the expected benefits, an Intelligent Client function (ICF) will need to be created. Three roles have been identified to; support MPS stakeholders, manage the Service Provider and support the development of the outsourced model.

A. RECOMMENDATIONS - That

1. The MPS Catering Services are outsourced to Elinor UK for a three year period plus a potential extension of two years. The outsourcing is contingent on:
 - a. The London Living Wage continues to be paid to all Catering Staff at MPS locations
 - b. The Catering Staff headcount will be reduced from 180 to 111 people. The associated redundancy costs of up to a maximum of £2.67m will be funded from the Redundancy Reserve, which is contained within reserves projections
 - c. The payment of project costs (£443k) from the Major Change Fund to facilitate the change
 - d. Cash flow in the Operational Support Services Revenue Budget 2017/18 of £171k required to transition the change, to be funded from Revenue Reserves which will then be repaid in 2018/19.

2. An Intelligent Client Function (ICF) of a maximum of three people is created to provide contract management of the Service Provider at a cost of £250k per annum. To be funded from projected gross savings of £8m over the three year contract term.
3. The decision to outsource the catering services is approved prior to the Christmas Bank Holiday in order for the Service Provider to deliver the catering services at New Scotland Yard when the building fully opens in February 2017.

B. SUPPORTING INFORMATION

1. The Service Provider will deliver a range of services at 14 locations within the MPS, to include:
 - a. Operational Feeding
 - b. Hospitality
 - c. Detainee Meals
 - d. Staff Feeding
 - e. Vending
2. The service specification is based on the operational requirements of 2015. Changes in demand are likely to fluctuate over the contract term.
3. The project to outsource the catering services is part of the rationalisation of back office functions, supporting the MPS One Met Model and MOPAC's Police and Crime Plan. The need to reduce funding of support services to release investment for front line officers led to an evaluation of what catering services were required and how they could be delivered in a more cost effective way.

C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS

Equality and Diversity Impact (mandatory)

1. A headcount reduction of 69 catering staff will be required in order to achieve the financial operating model, which has EIA implications. The catering staff structure varies in several ways to the wider MPS EIA profile, being predominantly BME (69%), females (73%), aged over 50 (76%).
2. According to Institute of Hospitality research, more females (54.3%) are employed in the Industry, with the age profile around the 25 – 49 age group (49.4%). The 50+ age group is forecast to increase by 25% with a third of the workforce being over 50 by 2020. This more closely reflects the MPS catering age profile.
3. The Industry actively encourages older workers as a means of filling the skills gap and demand for hospitality workers is expected to grow. The Service Provider has several business strands located within the London area and will ensure any displaced staff have the opportunity to apply for suitable roles.
4. The MPS will continue to discuss with the Service Provider incentives for them to minimise the number of redundancies by redeployment within their organisation, therefore ensuring employment continues for those wishing to work whilst reducing the MPS redundancy liability.
5. This EIA information is provided in more detail within the Final Business Case: section 7: Management Case.

Not Protectively Marked

Financial Implications / Value for Money (mandatory)

The gross saving for this project is £8m, net £4.9m, over a 3 year period. The savings have been identified in the table below.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Contract Saving on Staff Catering Subsidy		(1,995)	(2,547)	(2549)	(7091)
Contract Saving on Vending Services		(128)	(123)	(118)	(369)
Contract Saving on Operational Feeding		(456)	(445)	(434)	(1335)
Total Savings		(2579)	(3115)	(3101)	(8,795)
ICF		250	250	250	750
Variance for ongoing revenue		(2329)	(2865)	(2851)	(8045)
Project Cost	443				443
One – Redundancy Payment (Funded from Reserves)		2670			2670
Net Savings position	443	341	(2865)	(2851)	(4932)

Return on Investment

The total investment costs including redundancy for this programme are £3.2m. The total gross savings over the 3 year life of the contract is £8m. This gives a return of investment 1.5 or 150%.

Legal Implications (mandatory)

There are no significant legal implications to the outsourcing of the catering services.

Consultation undertaken (mandatory)

1. Consultation Grid

Key stakeholder engagement (up to what level)	Supportive / Supportive with concerns / Not supportive / Not affected
SC022 – Public Order (OCU Commander and Inspector)	Supportive
Federation / TUS (representatives)	Supportive with concerns about the terms and conditions of catering staff being preserved if redeployed.
HR (Director)	Supportive, but identified the need to give greater consideration to finding suitable alternative employment options for catering staff.
Commercial & Finance (Director)	Supportive
Centrally Delivered Support Services (Director)	Supportive
Diversity & Inclusion (Manager)	Supportive
Portfolio Transformation (Manager)	Supportive
Safety & Health Risk Management (Manager)	Supportive
Sustainability (Advisor)	Supportive

Risk (including Health and Safety) Implications (mandatory)

1. Changes to service provision: food production methods, customer payment points and approach to food service.
 - a. The Supplier's Health & Safety procedures and monitoring details were found to be sufficiently rigorous and reliable, consistent with the MPS approach.
2. Relevant impact on the MPS safety management system, safety of staff and safety of the public (including detainees): Responsibility for the maintenance of equipment and facilities to be retained by the MPS with the supplier reporting on condition and suitability to the MPS ICF for Catering Services.
 - a. Sufficient internal and external safeguards demonstrated through training and audit procedures.
 - b. Ongoing reporting and Performance Management processes clearly specified within the tender response.
3. Consultation with representatives of key stakeholder communities has been carried out and summarised 'Internal Consultation and Assurance' section of Part 2 of this report.
4. The Service Provider has demonstrated sufficient resources are available within the organisation for safety management. Monitoring also to be conducted by the MPS Catering ICF. Appropriate management and escalation is consistent with MPS approach.
5. Consultation with Federation, Trades Unions and Staff Associations will be conducted by the MPS Catering ICF and the Service Provide as an ongoing activity.
6. Third party auditing will be conducted annually and monitoring standards are accredited to the ISO 9001, ISO 14001 & OHSAS 18001.

Real Estate and Environmental Implications (if relevant to the subject)

There are no environmental implications.

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Background papers:

PART 2: EXEMPT SECTION OF THE REPORT

1. The following Final Business Case contains commercially sensitive information, which is not appropriate for publication on the GLA website.
2. The specific FOIA restrictions as to why this information is exempt are as follows;
 - a. The cost for delivering this project is based on the 'Commercial in Confidence' information obtained from the MPS SIAM and 3rd party suppliers which is not suitable for publication on the Website.
 - b. It also contains information about the MPS procurement strategy that will be used to procure the solution.