

Committee: Cabinet	Date: 5 November 2008	Classification: UNRESTRICTED	Report No: CAB 066/089	Agenda Item No.:
Report of: Corporate Director, Resources Originating Officer(s): Claire Symonds, Service Head, Customer Access		Title: Award of the Corporate Catering Contract Ward(s) affected: N/A		

1. **SUMMARY**

- 1.1 This report deals with the award of the contract for the delivery of a comprehensive catering service for all of the Council's core buildings. The service will provide staff catering to Mulberry Place and Anchorage House along with any hospitality services required.
- 1.2 The successful Service Provider will have sole catering rights for employee catering and meeting room hospitality and will be added to the Council's preferred supplier list.

2. **RECOMMENDATIONS**

Cabinet is recommended to:

- 2.1 Award the Catering Contract to Pabulum commencing 1 December 2008 for a period of three years with an option of a one year extension. This contract will be monitored and can be terminated at the end of each year of the contract due to unsatisfactory performance.
- 2.2 The award of the Contract will be on the basis of the conclusions of the tender evaluation on the grounds that Pabulum have demonstrated that they meet;
 - (i) the needs of the Council as set out throughout the tendering process;
 - (ii) they have given a commitment to use local suppliers, in particular in relation to Asian cuisine;
 - (iii) they have commitment to will use local suppliers as subcontractors which will provide work for local residents; and
 - (iv) that they meet the "nil cost" arrangement for this service.

3. BACKGROUND

- 3.1 As a result of the recently implemented Accommodation Strategy, a high proportion of the Council's staff have been relocated to the East India Dock Complex. A catering service is currently provided to staff from the 9th floor of Anchorage House. Catering for Members' meetings and other events is undertaken by a variety of suppliers. This piece meal approach to service delivery has given rise to concerns as to the quality of the service and has meant ineffective management.
- 3.2 A new corporate contract is therefore required to replace the current add hoc and disjointed methods of delivering a catering service to the council's core administration buildings, this includes the East India Dock complex plus 62 Albert Jacob House, Jack Dash House and Gladstone Place
- 3.3 Corporate catering has been split into three main areas:-
- Staff catering which is the provision of a staff restaurant from Anchorage House. This would provide hot and cold meals and drinks, snacks, baguettes, sandwiches and healthy eating options including, seasonal organic and farm assured produce;
 - Hospitality and function catering which includes provision for meetings, functions and conferences. These will be served to professional standards. Promoting the council's policy of using Fair Trade products, particularly refreshments (tea and coffee). Buffet lunches for conferences, meetings or special occasions designed for various function types and giving seasonal, organic, farm assured, vegetarian, special dietary requirements including the provision of Halal food and Fair Trade options;
 - Trolley Services to the core buildings listed providing a range of sandwiches, soft drinks, fruit, yoghurts and confectionary.
- 3.4 The proposal is to encompass all services under one contract to ensure consistency of service, improvement of cost, and control of quality. As well as providing a single point of contact for catering services. The service provider can use sub contractors to provide specialist services but would remain the sole point of contact.
- 3.5 Part of the contract is to carry out improvements to the current catering areas via an investment programme from the successful company. This will improve both the canteen and surrounding areas and the infrastructure of the kitchen areas within Anchorage House.
- 3.6 The new contract gives the opportunity to set clear objectives and requirements regarding catering as well as the opportunity to promote issues such as healthy eating, Fair Trade and the provision of alternative cuisine. For example, the contractor will be required to use seasonal and locally produced fresh produce in preference to frozen,

tinned, dried, or otherwise preserved foodstuff and ready made meals will be kept to the minimum.

- 3.7 In recognising the diverse nature of those using the services, the service provider has been asked to provide menus that reflect the needs of ethnic minority customers, whether for cultural or religious reasons, including Halal dishes, in the planning and promotion of menus and selection of dishes. The service provider has also been instructed that the healthiest cooking methods should be employed in the preparation of all meals on site this means low salt, low fat and no hydrogenated fats.
- 3.8 The contract is unusual in that it is classed as “nil cost”. That is to say that no fee is paid but the service provider will have sole catering rights for employee catering and meeting room hospitality services and will automatically become a preferred supplier for any events held in core administration buildings. Their income derives from the spend by staff and the council on these services. Prices will be reviewed annually and will not increase by more than the Consumer Price Index or equivalent

4. THE TENDER PROCESS AND EVALUATION

- 4.1 The contract was advertised in national trade magazines and local press outlets. 15 declarations of interest were received. Following the completion of pre qualification questionnaires and undertaking information interviews, at which prospective companies could orientate themselves with what the contract entailed, question and answer sessions took place with the prospective companies to provide further clarification and to ensure that the scope of the contract was fully understood prior to commencement of formal tender. Following this process, six catering companies who met the required criterion, were selected to tender for the contract.
- 4.2 A tender evaluation panel comprising of officers from Facilities Management and Procurement was established. They reviewed the returned tenders against a pre-determined and published set of tender evaluation criteria. The criteria included quality, hygiene, and business proposals. Within the tender documentation it was made clear to all companies that this contract would be at nil cost to the council and therefore all proposals should reflect that fact. The contractor would be given the facilities to run the catering function within the council e.g. use of kitchen and equipment. They would be expected to invest in these facilities, and in return would receive income from being the sole catering provider via the customers to the canteen and those departments procuring catering for events / functions etc. In the last full recorded year the amount spent on these services was over £300,000.
- 4.3 Two final tenders were received and analysed by officers within Procurement and found to be accurate and numerically correct. These were evaluated using a matrix based on a number of elements including:-

- Price of items provided
- Business Plan / Projected Revenue
- Quality / Menus including “Healthy Options”, Fair Trade Status, and Delivery Timescales
- Established methods on quality audits, monitoring process and a framework for performance compliance
- Method Statements, including to Health and Safety, Sustainability
- References from previous and existing client base

Clarification discussions were then undertaken. From this process it is proposed that Pabulum be awarded the contract because they have exhibited a greater commitment and flexibility to meet the aims of the contract and meet the needs of the council.

- 4.4 In particular, they have set out a comprehensive plan for investment in equipment and facilities. The chosen contractor has also given a commitment to use local providers. It must be acknowledged that Tower Hamlets is one of the largest providers of Asian cuisine in the country and in recognition of this, and the Council’s commitment to supporting local businesses, Pabulum have given a commitment to use local suppliers and to do this they will work with the Council to draw up a potential preferred list of providers for this type of cuisine. They have cited examples on other contracts where they have used specialist local contractors.
- 4.5 Additionally they are also actively recruiting within the local community for new members of the team as they recognise the benefits of having a local workforce. They have also stated a commitment to move towards the London Living Wage in Years 2 and 3 of the contract.

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 5.1 A “nil cost “ Contract is proposed as detailed at Paragraph 3.8 which is the same as the current arrangements so there is no extra cost or saving. The Council will not be liable to subsidise any contractor losses or receive any annual payment from the contractor. In return the Council is not expected to invest in the service but Pabulum are to invest £33,025 on new equipment at the start of the contract. The Council would be liable to repay the Contractor a depreciated sum for this equipment if the Contract is ended by the Council before the end of the 3 year contract period.
- 5.2 The Council will meet the cost of the buildings space used by the catering contractor and utilities costs as it does now so there are no extra costs or saving.

- 5.3 The Council will be entitled to receive 25% of any contractor profits but will not have to pay towards any contractor losses. The Council will have access to Pabulum's accounts to verify the amount due each year. The amount the Council will receive is unlikely to be significant especially in the first year.

However this will allow the Council share in any future growth in the catering service and increasing profits.

- 5.4 The tender from Pabulum does represent value for money to the Council as it best meets the tendering criteria set out in paragraph 4.3.

6. CONCURRENT REPORT OF THE ASSISTANCE CHIEF EXECUTIVE (LEGAL)

- 6.1 The Council has power under s 111 Local Government Act 1972 to provide the catering and hospitality services. S 111 (1) states that a local authority shall have power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The provision of catering and hospitality services to staff would fall within this provision.
- 6.2 The Contract has been properly tendered in accordance with domestic and EU statutory requirements and in accordance with the Council's Financial Regulations.
- 6.3 Providing Members consider that Pabulum's tender represents value for money for the Council, there are no legal implications to awarding the contract. The Contract is to be awarded on a nil subsidy arrangement and para 4.3 sets out the reasons why Pabulum's bid is the most advantageous.
- 6.4 An award Notice should be placed in the Official Journal of the European Union within 48 days from the date of award.

7. ONE TOWER HAMLETS CONSIDERATIONS

- 7.1 Consideration has been taken to the high mix of cultural background in both Tower Hamlets staff and those individuals that attend both meetings and functions within the Borough. This is reflected in both the variance of menus proposed by both bidders and how those dishes are prepared.
- 7.2 Each of the tender submissions included an equal opportunities statement in support of the organisation's equal opportunities policies. It would be expected that tenderer's would abide by the Council's policies in this area.
- 7.3 The use of local suppliers as subcontractors will provide work for local residents.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 The Council intends to manage its own sustainability impact and to use the most environmentally and socially responsible goods and services. Each Tenderer was expected to be familiar with environmental issues and the Green Charter approach. They were specifically required, within their submission, to address issues such as sustainable food purchasing and ordering plans, to include increasing sourcing from local producers, recycling and environmentally-friendly waste disposal arrangements.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 This proposal is a nil cost to the council and therefore is of no quantifiable financial risk.
- 9.2 The contract has been developed to ensure quality contract monitoring takes place on a regular basis, thus reducing the risk of poor performance and quality issues.

10. EFFICIENCY STATEMENT

- 10.1 The award of a single catering contract for the services described above will facilitate effective management and value for money.

Local Government Act, 1972 Section 100D (As Amended) List of "Background Papers" used in the preparation of this report

Brief description of "background papers"

To be completed by author.

NONE

Name and telephone number of holder and address where open to inspection

To be completed by author,

Claire Symonds Ext: 0839

12. APPENDICES

None.