



SC(6)2022-03-14 Paper 4

Meeting date: 14 March 2022

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Catering Contract

Purpose and summary

1. To advise the Commission on renewal options for the catering contract, as recently considered by the Executive Board, and seek views on the recommendation.
2. The Commission considered a paper on catering contract renewal options in March 2021 and agreed that due to the impact of the pandemic on the service the contract should be extended for 12 months to September 2022. It was envisaged that this would provide an opportunity to develop a clearer understanding of future catering needs following a more settled return to the office.
3. Whilst catering services have operated on site following the election, continuing pandemic restrictions have meant that estate occupancy has remained low over the past year. We have been able to trial some new services but there is still considerable uncertainty about future service demands and levels which are likely to evolve and develop over the next year or so. The future requirements associated with Senedd reform and the new Ways of Working programme will become clearer over time.
4. The Executive Board considered the following options for the catering contract renewal:
 - Retendering by September 2022
 - The feasibility of splitting the contract into lots to encourage smaller Welsh suppliers to tender.
 - Bringing the service in house

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5. Taking into account the operation of the service over the past year and the uncertainty about future service level demands and requirements, Executive Board agreed that the preferred option would be to retender a shorter length contract for two years, with options for two one-year extensions if required.
6. This would enable future consideration of the feasibility and implementation of more innovative options, including the additional options considered previously to bring the service in house

Recommendations

7. The Commission is asked to consider the recommendation of the Executive Board.

Service Provision Update

8. The catering service recommenced on site following the election.
9. Working with Charlton House, we developed an estimated budget and plans for services during the one-year extension to include trialling some new services such as a deli bar, more grab and go options, a barista style coffee service and an improved shop. The estimated budget was based on a gradual return to the office with occupancy starting at 30% in the autumn and increasing to 75% by summer. For the first four months of the extension, the costs of the catering service have operated within the agreed budget and we forecast that to the end of the financial year we will be able to manage the costs within the allocated £399K budget.
10. In terms of catering services provided, we did trial the deli bar service for two months and it was very popular. However, as occupancy on site reduced in November and December, this service was temporarily withdrawn but will be reintroduced when occupancy on site increases. In terms of sales, for the initial three months from September, sales were showing a positive trend of increasing from very low levels to approximately 40% of pre-pandemic sales. There was also a good demand for an evening meal service in the Members Tea Room on business days. Hospitality was also provided to support a limited number of events returning to the estate. There were also additional orders that were

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cancelled in December. Accordingly, there were positive signs of a gradual increase in demand for services in line with a return to the estate. Whilst the public cafe did open from Monday to Thursday from September to December and has recently reopened, visitor numbers were extremely low.

11. During December and to the end of January, numbers on site drastically reduced in line with Alert Level 2. The return to Level 0 from the start of February has been accompanied by another gradual and phased return to the office as we move into spring and beyond. This will enable us to continue to trial new styles of service and assess the estimated costs from April onwards in line with a gradual increase in occupancy from 30% upwards.



Options considered

Option 1 retender the contract for a shorter two year contract, with optional extensions based on the current contract model but with flexibility to adjust in line with a future return to the office

13. The continuation of pandemic restrictions has impacted our ability to develop significant data about the future occupancy for a fuller return to the office. However, we do have data that can be shared about catering sales and income for the autumn period which shows the trends across days of the week (Annex 1).
14. We can also include information about the proposals for new styles of service. We will also be able to provide data about pre-pandemic levels of operation for all aspects of the service and seek to invite tenders on phased lower occupancy percentages from 30% to 50% and 75% and ensure there is flexibility to adapt and evolve the service in line with a return to the office and to adapt service styles as needed during the next contract. For example, on quieter days, a call order service has been successfully piloted and this could evolve to form part of the service or to offer additional flexibility on quieter non-business days. In line with an increased return to the office we will be able to seek feedback from Members and staff about their requirements and needs for the style and range of catering services.
15. The contract will be based on a 'cost plus with guarantees' model, where contract expenditure for labour, food and sundry items are capped at percentages linked

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to the sales for the service. This model will enable the future service to be flexible and evolve in line with new styles of service, customer needs and feedback in response to differing patterns of attendance and occupancy. It is likely that there will be service innovations that contractors can introduce as they have adjusted and developed services in response to lessons learnt during the pandemic.

16. The specification will be updated to include the need for flexible and changing styles of service but will need to ensure that service standards and key objectives for the Senedd are maintained, including:

- reflecting catering industry best practice
- assured statutory compliance and food safety
- maximising and increasing the use of Welsh suppliers and produce and providing quarterly reports and KPIs of spend with suppliers and their supply chain
- sustainability (ISO14001 accreditation, minimising food waste, eliminating the use of single use plastic, recycling waste oils, minimising and reusing packaging)
- corporate social responsibility (soil association food for life accreditation, freedom food, fair-trade, farm assured products, marine stewardship council)
- supporting wellbeing and healthy and nutritious food
- providing opportunities for work experience and training
- compliance with the Official languages scheme

Indicative timetable for procurement

Activity	Description	When
Preliminary market consultations	Identify Welsh suppliers in the market and alert them of the opportunity	18 March 2022
Finalise procurement strategy	Map out procurement scope, risk and plan for delivering the contract	18 March 2022
Sustainability risk assessment	Undertake a sustainability risk assessment for the contract	21 March 2022
Finalise Requirements, PQQ and ITT documentation	Complete invitation to tender documentation	21 March 2022

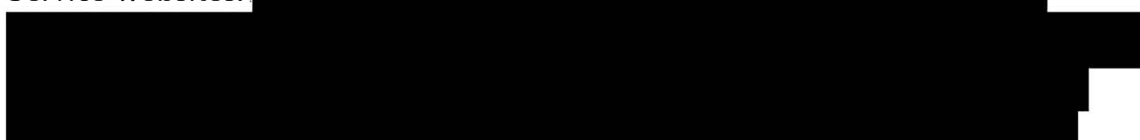
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Activity	Description	When
Publish contract notice in Sell2Wales and Find a tender Service	Produce contract notice and set up project within Bravo e-tendering system.	22 March 2022
Closing date for PQQs	PQQs deadline	19 April 2022
Evaluate PQQs and finalise tender list	Panel of evaluators to meet and evaluate PQQs.	25 April 2022
Supplier de-briefing	Undertake de-briefing of those suppliers not considered further	2 May 2022
Start tender stage	Publish tender in Bravo	9 May 2022
Tender closing date	Tenders returned	6 June 2022
Evaluate tender submissions	Panel to undertake bid evaluation, scoring and clarification meetings	20 June 2022
Supplier presentations	Panel to evaluate presentation	27 June 2022
Contract award report	Draft contract award report for sign off by Executive Board	11 July 2022
Outcome letters	Issue outcome letters and commence standstill period	18 July 2022
Standstill Period ends	Undertake de-briefing of unsuccessful suppliers	1 August 2022
Contract award	Award contract	8 August 2022
Transition	Provision for handover to new supplier	2 September 2022
Contract starts	Contract commences	5 September 2022

Sourcing Strategy

17. The contract opportunity will be advertised on the Sell2Wales and Find a Tender Service websites.



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Option 2 separate lots within the contract

18. This option was previously considered by the Commission. It was recognised that there were a number of practical and operational challenges associated with this option. There are also likely to be increased costs for separate services due to loss of economies of scale for staff resources, management and supplies for the contract, plus TUPE issues to be overcome. Whilst splitting large contracts into lots can, when appropriate, offer enhanced opportunities for Welsh suppliers, there are other ways in which we can achieve this, such as ensuring supply chain opportunities through the main contract.



19. A significant barrier to splitting the contract into lots is due to the physical infrastructure in terms of kitchen and catering facilities. Whilst there is a very small kitchen adjacent to the Public Café, and a small kitchen and pantry adjacent to the Ty Hywel Members Tea Room, all of the main food preparation, fridges and freezers and storage facilities are operated from the main kitchen in Ty Hywel. Food hygiene and safety regulations require a single point of responsibility and management. The facilities, space and equipment cannot be shared by separate operators.

20. A separate contract for hospitality would require food to be prepared off site and then be delivered, together with temporary equipment provided as necessary to heat and chill the food as well as crockery and supplies. There are also likely to be issues associated with ensuring appropriate vetting and security clearances for staff providing the service.

21. The current contract staffing structure enables economies of scale for staff resources including management of the contract and flexibility to cover various aspects of the service during busy periods and periods of sickness and holiday absence. Visitor numbers for the public café fluctuate significantly across the year, during quieter times, staff are redeployed to other aspects of the service and during busier times such as the summer recess, staff from the main services can assist with the public café. This flexibility and cost efficiency would be lost if the contract were separated into lots. The flexibility of one contract also extends to sharing of food supplies across the various outlets which also helps to reduce food waste and food costs associated with separate services.



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23. TUPE issues in relation to staff contracted to the current contractor would also need to be considered.

Option 3 bring the service in house

24. A detailed report was provided to the Commission in March 2021 due to increased costs identified and management overheads and headcounts. It was identified that this option would require additional time to investigate and a minimum timescale of 12 months to implement.

Many aspects of this option are positive: it would give the Commission control over its catering arrangements, sources of supply and the flexibility to change to meet new demands- in exactl the wa we do with directl delivered v
Commission services.

[REDACTED]

26. We are also likely to need to create and fund a number of additional management and support posts to run the service, to replace some of the functions provided at source by a contractor.

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

31. Timing is a factor for consideration with this option as follows:

- Insourcing the ICT service took 18 months to conclude; insourcing this function is by no means as complex; however, establishing a new service and completing all the commercial and consultation arrangements with Charlton House, including TUPE will likely require at least 12 months, based on experience.
- [REDACTED]
- A shorter contract extension will provide more time to explore this option in further detail.

Governance

Financial implications

32. Contracted catering services are provided within current and future operational budgets for a retendered catering service. Revised estimates for future changes to catering services will be developed as part of the tender preparation process.

33. Future more innovative options will need to be assessed as part of future budget planning and preparation.

Risk Management, including any major reputational issues

34. The current contract has already been extended by one year and whilst there are still uncertainties about the future service levels needs and requirements, a shorter contract will enable the service to be changed and adapted in line with an increased return to the office although occupancy is anticipated to be lower than pre-pandemic. The cost plus with guarantees contract model will provide some cost certainty and flexibility to ensure services can be adapted and managed within agreed budgets.

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Annex 1

