



Tips on how to let successful contracts

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In House versus Contracting

The main advantages that a contracted catering service can bring include:

- Efficient human resourcing through large infrastructure
- Generally more competitive terms and conditions hence pricing
- Better economies for purchasing (bulk buying).
- Flexibility not bound by political decision

The possible disadvantages of contracted catering services are:

- Loss of day today control over service levels
- Possible long term reduction in staff T&Cs (unless clearly specified)
- Limited ability to benefit from generated income to reinvest into the service
- Reduced employment within the central core

Methods - Restricted Process

- OJEU threshold £181,302
- Expressions of interest
- PQQ or SQQ
- Contractors visit to site/sites
- Presentation and invite to tender for limited number of tenderers
- Release of tender
- Visits to caterers sites
- Final presentation

Advantages

- Formal procedure
- Ability to scrutinise
- Form a good relationship with one supplier

Disadvantages

- Tied to choice
- Need good termination criteria if things go wrong

Other Methods

- Open procedure – where the tender is issued at the same time as the expression of interest
- **Advantage** – Lots of interest
- **Disadvantage** - Sheer numbers to shift through
- PIN procedure – where the criteria is clearly set in advance and contractors must meet these requirements or standards for tender to be issued
- **Advantage** – More controls in place
- **Disadvantage** – Could be open to challenge if criteria is not strictly adhered to during tender process

Frameworks in the Public Sector

- Framework arrangements are becoming more popular particularly for supply of goods
- Two types that are commonly used
- 1. An arrangement is put in place with one or more suppliers in which the prices (or pricing formula) and T&Cs are agreed for the duration of the contract
- 2. Prices are determined by a mini competition between suppliers awarded on to the framework

With both types the award criteria must be consistent with the arrangements put in place at start of the process.

Both can be let with a single source supplier but the second type requires pricing for the requirement set out in the mini competition.

If the terms are precise enough then the procuring authority can identify the best supplier for the particular requirement through the framework listing.

In terms of catering services contract a framework could be used to allow schools to opt into a existing tender (Example)

Understanding the different types of catering contracts

Fixed Price per meal/Per Head

- Budget is prepared and calculated by the contractor to provide a fixed cost per user
- Systems are normally in place to record the number of meals served
- Pricing could sometimes be linked to uptake volumes
- This is a common contract especially in the primary school meal sector

Fixed Price/Subsidy

- Annual Budget is prepared and the client pays a set amount each month
- Contractor takes the risk and benefit
- Management fee is normally higher to mitigate the risk
- Danger of contractors reducing quality to maximise profit

Cost Plus

- Estimated Budget is prepared by the Contractor
- If this is exceeded the client pays the difference
- The subsidy can change monthly
- Contractors charge a monthly management fee

Understanding the different types of catering contracts

Cost plus Guarantee

- Similar to Cost Plus but the caterer guarantees certain lines i.e. labour costs, GP %
- Sundries % as percentage of sales and management fee. This is “fixed”
- Any benefit in sales is used to decrease bottom line or agreement made to split profit
- Contractor could request a incentivised management fee (% of sales)
- Contractor normally agrees to put part of their fee at risk should the subsidy be more than expected

Nil Subsidy/Cost

- Caterer normally has full autonomy over tariff levy, menu and how sundry costs will be applied
- Normally only considered in contracts with high footfall
- No cost to the client as contractor takes all the risk
- The contractor will likely request certain parameters such as control over service levels, opening times, the actual offer and pricing

Concession

- In addition to a nil subsidy a % return is paid to the client every month
- Most used in franchise , retail or very high volume contracts

The importance of a great specification

- **Legal Compliance is a given**
- **DISCOVER YOUR WITY**
- What do I really want my contractor to do for me? I.e. Better dining experience
- What do I want them to achieve? I.e. higher uptake
- What quality do I expect? How should it be presented?
- What is my expectation of how they will recruit and reward staff?
- What are the essential factors they must meet?
- Am I willing to compromise on anything?
- If so what?
- What type of relationship do I want with them?

Setting the scope of services

- What is type of service do we want, i.e. traditional, family service, grab and go , multiple service points or one?
- What should the offer look like ? Frequency of menu rotation
- Define opening hours or service length realistically
- How much emphasis do we place on our healthy food strategy, accreditations, charter marks
- What payment solutions do I want? I.e. Contractor collects payment, invoiced for total meals, cashless, via website etc.
- What level of hospitality do I require and at what cost expectation?
- What should be chargeable and what is classed as added value!!
- Marketing and communications expectations

Importance of the supply chain

- Sustainability – CSR plan
- Ingredients providence
- Actual food spend on the plate
- Net pricing - Volume rebates , how are these dealt with
- Waste strategy- including plastics, packaging
- Brexit plan – How will they mitigate the risks
- Is there a “collaborative dialogue” in place with the contractor and their supply chain to agree actions to mitigate the potential effects of Brexit
- Including stock levels, ingredients substitution, chef training to create menus if certain foods become scare and recruitment of key staff

How to achieve added value

- Need to define what you mean by this?
- Is this a contractor who already has a high profile?
- Small versus big ? SME or multi national?
- Social enterprise/ Co-operative, is this an option?
- Do you want the contractor to invest in your service? If so, be realistic !
- Are you willing to provide a long term contract for a better deal?

How to end up with the supplier that ticks all your boxes

- Define your WITY carefully
- Make sure the contractor is clear about your key objectives
- Ask questions re management structure allocated to your contract
- Ask to meet the key people who will be involved , not just the sales team
- Food presentation from existing menu !
- References – willingness to provide
- Sustainability – market position, longevity
- “People buy from people” follow your instinct

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