



Belfast City Council

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| Report to: | Strategic Policy & Resources Committee |
| Subject: | Permission to invite tender (Bobbin coffee-shop facility) |
| Date: | 23 rd March, 2012 |
| Reporting Officer: | Gerry Millar, Director of Property & Projects |
| Contact Officer: | George Wright – Head of Facilities Management (Ext. 5206/6232) |

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| 1.0 | Relevant Background Information |
| 1.1 | <u>Contractual issues</u> Members will be aware that the Bobbin coffee-shop facility in the City Hall was originally let to the current operator, Castle Catering Ltd, in 2009 on the basis of a one-year contract with an option to extend by a further one year. This option was exercised by the council and the contract was duly extended to 30 th September 2011. |
| 1.2 | A report was brought to the Committee in June 2011 seeking permission to initiate a public tender process in relation to the franchise as the end of the contract was approaching, but the Committee instead decided to grant a further extension of up to 9 months. This was done primarily on the basis that the ongoing review of City Hall management might produce recommendations in relation to the Bobbin and indeed in respect of catering issues in general, and that these ought to be taken into account before committing the council to a new 2-year arrangement. |
| 1.3 | This final offer of extension was made to and accepted by the current operator, however this extension runs out on 30th June 2012 . Consequently a decision needs to be made in relation to the operation of the Bobbin facility. |
| 1.4 | Members will recall that a report was submitted in November 2011 dealing with the management of City Hall and that, following some discussion, it was agreed that party briefings would be useful in relation to some of the issues raised, including the operation of the Bobbin facility. Unfortunately, and largely due to the many other pressing strategic and financial issues facing the Committee (notably the investment programme and rate-setting etc), it has not yet been possible to schedule these briefings, however the Bobbin issue must now be addressed in the light of the imminent end of the existing contract. |

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Internal v. external provision

During previous discussions on this matter some members raised the issue of whether or not externalisation of the Bobbin facility was desirable, and whether or not the facility could potentially be operated internally by the council's own catering staff.

This matter has been considered in some depth by the department and, while it is certainly feasible to do so, there are a number of financial and legal issues which must be recognized if this course were to be pursued, most notably:-

- it is likely that a public tender would produce a significant increase in the amount which any external franchisee would be willing to pay to the council, given that the facility is now well-established and popular with significant goodwill;
- it is clear from the analysis that up to 4 additional staff would be required by BCC to operate the facility (it could not be covered by existing catering staff);
- the cost of employing these staff would be considerably higher than the comparative private sector costs: our analysis shows that even assuming that any contractor complied with all statutory requirements in relation to minimum wage rates, holiday entitlement and SSP etc the cost of employing the staff would be in the order of **£30K** per annum greater for BCC;
- this is caused by the fact that national NJC rates for catering staff are 28% above the minimum wage level, employers' pension contributions are currently at 19% as opposed to zero in the private sector, BCC staff enjoy higher holiday and sick-pay entitlements and nationally-agreed terms (i.e. week-end enhancement and shift allowance) apply in relation to Saturday working etc
- providing in-house staff would therefore mean either trying to ensure a corresponding increase in existing turnover to cover the increased costs (which would be difficult) or potentially moving into a loss-making scenario overall; *and*
- the provisions of the Transfer of Undertakings (Protection of Earnings) Regulations (TUPE) may apply if the facility were to be brought in-house, meaning a potential forced transfer of some/all of the existing staff from Castle Catering to the council.

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It is also worthy of note that no other catering outlets in buildings owned and operated by the council (notably Malone House, Belfast Castle, Waterfront Hall, Stables Restaurant, Leisure Centres etc) are operated with BCC staff; all are franchised to the private sector and the financial and other issues set out above no doubt help to explain this situation.

It is the view of the department that bringing the facility in-house would not only mean foregoing the potential additional income to be derived from a public tendering exercise but also that the most likely outcome would be to incur a loss in the operation of the facility which would have to be passed on to the rate-payer.

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| 2.0 | Key Issues |
| 2.1 | The key issue is obviously whether the Committee wishes to proceed to invite tenders for the franchise of the Bobbin catering and giftware operation or wishes to provide this service internally. |
| 2.2 | <p>The options available to the Committee at this time would appear to be:-</p> <ol style="list-style-type: none"> 1. to approve the invitation of tenders for the franchise of the Bobbin facility; 2. to offer a further 3-6 month extension of the existing contract to Castle Catering Ltd and to expedite the 'Management of City Hall' report and recommendations; <i>or</i> 3. to allow the existing contract to expire on 30/6/2012 and to agree that the facility be operated as a council-run operation thereafter, staffed by additional BCC staff. <p>The direction of the Committee is therefore sought.</p> |

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| 3.0 | Resource Implications |
| 3.1 | <p>If the facility is publicly tendered there is a likelihood that the annual fee payable to the council will increase, although it is impossible to forecast by how much. If the facility is brought in-house it will require additional staff (2 x full-time and 2 x part-time) costing an estimated £66,002 (incl. on-costs but excluding overtime) per annum and these additional costs – unless accompanied by a very significant increase in turnover – must be met from the existing operating profit and may therefore result in the council incurring a loss.</p> <p>It should also be noted that no provision has been made in the 2012/13 revenue estimates for these staff, although this could of course be remedied in 2013/14 and beyond.</p> |

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| 4.0 | Recommendations |
| 4.1 | The Committee is recommended to adopt option 1 as set out above on the basis of contractual and cost effectiveness. |

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| 5.0 | Decision Tracking |
| <p>If a decision is taken to publicly tender the franchise the relevant documentation is ready and the invitation to tender will appear within 4-6 weeks. Alternatively, if a decision is taken to internalise the facility the recruitment process must commence immediately and be given a high priority.</p> | |

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| 6.0 | Key to Abbreviations |
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