Outsourcing 2012: Removing the Barriers for Catering and Facilities Management

As part of the wider UK hospitality economy, food and service management (FSM) companies which provide catering and facilities management make a significant contribution producing over £4 billion in turnover in 2011.

The BHA is the only organisation to have been monitoring catering companies, who also provide facilities management, for over two decades. In that time the sector has doubled in size and our members in this area now employ over 160,000 people (120,000 full-time equivalents) on both private and public sector contracts.

In 2010–11 the public sector spent over £2.1 billion on food and catering. Facilities Management is the third highest spend overall for central government departments after Human Resources and Information, Communication and Technology.

Table 1: Turnover and purchases (£m), 1993, 2004-2011*

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
<th>Food and beverages</th>
<th>Other</th>
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<td>862</td>
<td>610</td>
<td>124</td>
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</tbody>
</table>

1 Source DEFRA  2 Source Cabinet Office
* Public and private sectors contracts combined. Source: BHA 2012
FOREWORD

The Foodservice Consultants Society International (FCSI) UK & Ireland is delighted to be involved in this cross industry project, partnering with the British Hospitality Association to develop this report in a bid to bring greater efficiencies and increased productivity to the public sector.

By working together, we are able to provide a single voice outlining how we can achieve the Government’s goals set out in its Open Public Services Strategy, creating fair competition and more benefit to the sector.

A clear vision, level playing field, investment in skills and a clearer understanding of the value food adds in the sector are all required.

The BHA has surveyed FCSI members, whose leading consultants are working in many areas across the public sector, in order to obtain our views and comment for the report. As a group of over 1,000 foodservice experts worldwide, with many members working in the public sector, FCSI has the specialist sector knowledge and industry insight required to deliver innovative, commercial and sustainable solutions to the sector’s business challenges.

The professional membership is made up of consultants who focus on all aspects of the catering industry, and in particular the public sector, business strategy and commercial kitchen design. FCSI allied members are professional foodservice or equipment suppliers that work alongside our consultants to successfully deliver projects.

Our members’ areas of expertise include; foodservice strategy development, business planning, commercial contract tendering, design and equipment solutions in all sectors of the industry. This makes us perfectly placed to help drive forward improvement and change in an industry which is under growing pressure to deliver increased service levels and products, despite its budgets being under pressure.

We believe that we can assist the Government in extending the range of outsourced services and look forward to working with the BHA on delivering the joint initiatives defined in this report.
Outsourcing 2012: Removing the Barriers for Catering and Facilities Management
We have a single-minded ambition for this publication, Outsourcing 2012: Removing the Barriers for Catering and Facilities Management. The BHA is committed to helping our catering and facilities management members (also known as food and service management) compete on a level playing field to win public sector contracts. This will increase public and private sector partnership and open the market to further outsourced catering and facilities management.

Together with our report partner, FCSI, the BHA has set out a clear agenda to achieve this ambition.

We will work in partnership with the government:

• To achieve value for money in public procurement and create fair competition by making contract opportunities more transparent and accessible for those wishing to do business with the public sector.

• To enable long-term economic growth and ensure diversity of provision by encouraging and supporting our SME member companies to participate in public sector procurement.

• To deliver greater public sector efficiency and increased productivity by harnessing the global expertise and talent of our members to the benefit of them, the government and the wider public.

• To optimise fully efficient supply chains and secure new investment to improve existing infrastructure and support the delivery of innovative, commercial and sustainable public services.

This partnership will be developed by continuing the BHA’s discussions with the Cabinet Office as it develops a Pan Government Procurement Framework (which includes TFM - total facilities management, hard FM, soft FM, and catering). We will also continue to engage with the Scottish Government on its Procurement Reform Bill.
Definitions

Public Sector Outsourcing:
For the purpose of this report public sector outsourcing is defined as catering and/or facilities management provided by a private sector organisation to a public sector body, encompassing healthcare, education, defence, prison and justice services and including central and local government departments. These outsourced services are managed under a commercial agreement between the public sector organisation and the contractor.

Food and Service Management (FSM):
For the purpose of this report food and service management is defined as the provision of catering and other facilities management services to clients. Facilities management services include catering, cleaning and security (known as soft FM) and estate and building management (known as hard FM).

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RECOMMENDATIONS

BHA aims to work in partnership with Government and our FSM members, both SMEs and larger organisations, to advance delivery of the industry’s aims. To bring this about, this report makes four recommendations to Government to bring greater efficiencies and increased quality and productivity to the public sector.

1. REMOVE BARRIERS TO OUTSOURCING
enable true diversity of provision by removing barriers to outsourcing via central government engagement with commissioners and providers of services across all sectors to create a truly level-playing field.

2. IMPROVE THE COMMISSIONING PROCESS
continue to raise skill levels to ensure that services are commissioned more strategically across the whole public sector and take up our industry’s offer to use its global talent and expertise.

3. SET A CLEAR VISION
Government should engage with all stakeholders to create a shared vision and define the scale of the opportunities created by the open public services agenda.

4. RECOGNISE THE VALUE OF FOOD
to reinforce the business case for investing in good food across the public sector.
The BHA’s seven commitments to support our Food and Service Management members:

The UK food and service management industry is world leading. Government can make better use of our talent and expertise.

1. We are committed to supporting our members win public sector procurement contracts. We are doing this by working with the Cabinet Office and the Department for Communities and Local Government to unlock barriers. We are also exploring alternative contractual models and payment terms that could deliver greater choice and partnership. Examples may include public service mutual; joint venture partnerships; and introducing better and quicker payment terms for providers.

2. We are committed to promoting good practice across Food Service outsourced markets. We support plans set out in the Open Public Data White Paper to put transparency at the heart of government and public services.

3. Together with our partner FCSI, we are committed to promoting good practice in procurement skills. We aim to support enhanced professionalism and effective procurement across the public sector and will engage with Government plans to set up a Commissioning Academy to drive the necessary commercial skills and understanding of outcomes based procurement.

4. Together with FSCI, we will support the Procurement Pledge for Local Authorities to promote and implement procurement procedures that are less burdensome; and build skills, capacity and expertise in public procurement.

5. We will continue to support the Cabinet Office in creating a leading Facilities Management Strategy to review catering provision across central government departments and beyond.

6. We will continue to work with the Government Property Unit as it develops a new way to open up opportunities for SMEs to win facilities management contracts.

7. We will continue to share good practice with all our government colleagues and will engage with key stakeholders as the business cases and outcomes emerge from the first four Community Budget Pilots to explore opportunities across all public services.
1. REMOVE BARRIERS TO OUTSOURCING

enable true diversity of provision by removing barriers to outsourcing via central government engagement with commissioners and providers of services across all sectors to create a truly level-playing field.

The British Hospitality Association stated in its publication *Creating Jobs in Britain: A Hospitality Economy Proposition* (October 2010) that Britain’s competitiveness could be enhanced by providing a level playing field and fair basis of comparison between private and public sector bids for the outsourcing of catering and facilities management; which would in turn enable commercial companies to bring greater efficiencies to public services across the UK.

The Government faces a significant challenge to bring public finances into balance which has put severe pressure on public services. Central government departmental budgets will be on average 8% below their current levels in real terms in 2014-15 and in local government councils face a cut of 28% in the central government grant. 94% of cuts to current public spending are still to come.

The situation is further exacerbated by social and demographic changes that are driving increased demand for improved and more efficient services.

To meet this challenge the government has introduced its Open Public Services strategy, a radical programme of reform aiming to transform the public sector increasingly into commissioners of services improving quality whilst simultaneously reducing financial burdens on the state.

The BHA welcomes the government’s ambition outlined in Open Public Services 2012 ‘to replace top-down monopolies with open networks in which diverse and innovative providers compete to provide the best and most efficient services for the public’ and ‘to make a step change in public service productivity’ by increasing ‘competition, choice and accountability’ to ensure a truly level playing field between the public, private and voluntary sectors.

Food and service management companies already play an important role in the outsourcing of public services, delivering catering and facilities management services which are valuable in their own right and also help to maintain frontline public services across healthcare, education, justice, prison and emergency services and the defence sectors.

There is significantly more FSM companies could do given a wider and more innovative market in which to operate. The Open Public Services Agenda provides both central and local government with the opportunity to take decisive action, allowing the best providers to manage key services with a focus on outcomes, innovation, productivity and accountability.

**PUBLIC PROCUREMENT IN EUROPE**

There are also legislative developments in hand at European level, with a proposed Public Procurement Directive. Because contract catering services are not generally provided cross-border, the European institutions and member states are proposing a lighter regime for catering than for some other services. However, the BHA through its EU confederation, FERCO, is pressing for a harmonised set of rules, so that catering would be fully included in the Directive’s scope. Also, member states are keen to retain a “lowest price” criterion, but FERCO is pressing for a “Most Economically Advantageous Tender” (MEAT) criterion to apply, taking in some social, environmental and other considerations. Also at EU level, there are proposals from the Commission on concession contracts, which could require a main concessionaire to offer sub-contracts to SMEs; this is currently the subject of detailed discussion in the European Parliament.

**SCOTLAND – PROCUREMENT REFORM BILL CONSULTATION**

In Scotland where public sector spending on goods and services amounts to over £9 billion per year, the Scottish Government has consulted the BHA on a Procurement Reform Bill, aimed at improving the transparency and business-friendly nature of the process, as well as, in the contract catering sector, improving the way businesses work with the public sector to improve health, environmental and social outcomes.

The Bill proposes establishing a national legislative framework for sustainable public procurement that supports Scotland’s ‘economic growth by delivering economic, social and environmental benefits, that support innovation and promote processes and systems which are transparent, streamlined, standardised, proportionate, fair and business-friendly’.
The BHA has welcomed further engagement with the Scottish Government to discuss how the provisions of the Bill will improve procurement practice in the public sector and help achieve sustainable growth for the Scottish Economy.

With the publication in March 2012 of the Cabinet Office Open Public Services document, the government provided a progress report on its goal of truly open public services where it committed to ‘regularly assess barriers to entry and exit that may prevent diversity and innovation from being achieved, looking at how to enable a level playing field for all independent providers,... and to address issues that are particularly problematic for smaller private, voluntary and charitable enterprises to ensure that the full range of organisations of any size and from any sector are able to participate ...and to increase their proportion of the value of contracts made with small and medium-sized enterprises (SMEs).’

Some progress has started to be made with the removal of pre-qualification questionnaires (PQQs) for contracts below £100,000 and in central government there have been moves toward greater use of the ‘open procedure’ (eliminating the need for a separate selection stage) along with the government’s proposal to publish a pipeline of new contracts.

In the UK and in Brussels, there is a greater recognition of the role of procurement as a vital contributor to economic growth supporting priorities such as job creation, the transition to a low carbon economy and development of infrastructure; and that effective and efficient purchasing of the right goods and services at the right price can positively influence the quality of service delivered by the public sector.

This is echoed in Lord Heseltine’s report: No Stone Unturned: In Pursuit of Growth where recommendations include:

- the recruitment of a Chief Procurement Officer by every government department ‘to lead the procurement and delivery of major projects and improve the capabilities of their procurement cadre.’

- the placing by Cabinet Office of a ‘a general duty on all public bodies, setting out the procurement standards to which they should adhere, by providing a pan-government procurement strategy, legislating if necessary’.

- avoiding duplication across government by establishing ‘a single source of expertise for innovative procurement that builds on existing work and successful mechanisms’ helping ‘to aggregate demand and coordinate activity around shared innovation challenges, provide expertise, coordination and guidance, and scale up and develop innovative procurement initiatives.’

Government must provide a level-playing field ... between public and private sector bids to enable commercial companies to bring greater efficiencies to public services.

Barriers still remain including too much bureaucracy and over-complexity in the bid process which are slowing up the unlocking of opportunities for greater private sector participation within public sector procurement.

The following issues need to be addressed as a priority:

i) TRANSFER OF RISKS

The allocation of risk and reward is a key part of the procurement process.

It is clear that outsourcing by the public sector is seen as an opportunity to transfer risks to the contractor but it is not always clearly understood that by transferring liabilities under TUPE, such as pension provision, the contractor must factor in higher returns in order to mitigate the risks. A new prospective private sector provider may deem the commercial risks involved as unacceptably high and avoid competing for the contract.

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1. CBI Open Access Report – Delivering Quality and Value in our public services
   September 2012

2. HM Government Open Public Services March 2012: It should be noted that the scope of the Government’s recommendations in this publication are UK wide but it is for the Devolved Administrations to determine their own approach to public service reform with, in general, services such as health, education and those provided by local government under devolved control


4. HM Government Open Public Services, March 2012

Increase use of the Open Procedure to enable innovation; increase diversity of provision and free up the market to drive productivity and growth.
**ii) Working Capital Requirements and Payment Terms**

A particular barrier for SME providers can be payment terms and working capital requirements. Taking as an example a contract with a £12 million annual value where it operates on a 30 day after invoice payment cycle, this is effectively 60 days of a working capital requirement of £2 million, which the contractor has to fund. If the contractor has to borrow money to fund this working capital the average cost of borrowing currently will be around 6 to 8%. The consequence is that the larger the deal and the less favourable the payment terms, the higher the barrier to entry for smaller providers.

**iii) Increased Use of the Open Procedure Across Central and Local Government**

A recurrent issue raised by members is the challenge and frustration caused by rigid pre-qualification questionnaires. Additionally lengthy tender documentation has tended to focus almost exclusively on the no doubt important aspects of cost efficiency, Service Level Agreements and KPIs, common to all public sector contracts, and largely to ignore the catering and facilities management requirements of the contract for which a MEAT approach should have increased weight.

Moreover, some contractors capable of providing a high quality service to considerable client satisfaction are considered too small even to get through the pre-qualification stages of many tendering processes. PQPs often look for an unrealistic minimum company turnover ensuring that some companies whose total turnover may, for example, nudge eight figures do not even get through the pre-qualification stage.

As a response to this particular barrier, some smaller food and service management companies have demonstrated innovation by forming consortia to enable them to tender for services from which they might otherwise be excluded.

The government believes that opening access to SMEs is not at odds with leveraging scale as a procurer. Some contracts, too big even for large FSM contractors, are now let to a prime contractor which acts as an ‘integrator’, sub-contracting catering and other soft FM services to a specialist company. This trend is accelerating, particularly in local government, and does not disadvantage SMEs. Major contractors now have to report annually to government on the percentage of SMEs (by value) within their supply chain.

A real commitment by both central and local government on increased use of the open procedure would facilitate innovation and diversity of provision; allow for a more fluid tender process; and free up the market to drive productivity and growth.

**iv) Cultural and Ideological Barriers to Outsourcing**

It must be acknowledged that there is cultural and ideological opposition to outsourcing, especially in local government where there can be a view that outsourcing is selling out to the private sector. A lack of trust between the parties may make the provider wary about signing up to a potentially high risk contract.

The public sector can believe that there is risk in diversity of provision which may lead to contracts being awarded regularly to the same organisations selected from a group of recognised key players. This hampers the market place and restricts innovation.

Recent poor performance in a small number of contracts managed by the private sector has also sent a risk message to both the market place and the general public raising concerns about value for taxpayers, accountability and service continuity.

It should also be noted that there is evidence of public support for more open services. According to a recent ComRes poll, 75 per cent of those surveyed agreed that a variety of different providers could be more successful than a single provider in coming up with new ways to run a service. Almost 65 per cent said a diversity of provision would reduce costs to taxpayers with a similar percentage agreeing that services would also improve.

The ultimate goal must be ‘win, win, win’ for the public body, the customers, and the private sector provider – any other option will not be viable.

BHA commits:

- We are committed to supporting our members win public sector procurement contracts. We are doing this by working with the Cabinet Office and the Department for Communities and Local Government to unlock barriers. We are also exploring alternative contractual models and payment terms that could deliver greater choice and partnership. Examples may include public service mutual; joint venture partnerships; and introducing better and quicker payment terms for providers.

- We are committed to promoting good practice across Food Service outsourced markets. We support plans set out in the Open Public Data White Paper to put transparency at the heart of government and public services.

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6 CBI Open Access Report, September 2012
BENEFITS OF OUTSOURCING

DRIVING GROWTH AND INNOVATION

According to BHA research, the contracted-out catering and facilities management sector has more than doubled in size, since 1990, with much of this growth in the public sector. Growth has been achieved largely by clients recognising the contribution that outsourcing has already delivered, and can deliver in the future. One of the most obvious benefits is the role that outsourcing can play in helping the public sector meet its overall spending-cut targets, whilst protecting catering services that could otherwise be under threat – even allowing clients to divert some of the savings made to insulate frontline public services from the full force of the spending cuts.

WIDE-RANGING AND GLOBAL EXPERTISE

FSM companies, both large and small, contain individuals with wide experience of both public and private sector catering. Several of the largest UK companies are part of multi-national organisations with immense knowledge across many sectors providing a significant percentage of global facilities management provision. The government should do more to leverage the wide-ranging and untapped expertise that exists within both these larger organisations and many smaller operators, as it seeks to develop more cost effective catering and facilities management models across sectors including healthcare and education.

COMMERCIAL ACUMEN

FSM companies adopt a highly focused commercial approach to catering and other facilities management provision which enables them to operate with a lower subsidy. Indeed, nil-subsidy is becoming increasingly commonplace. This has been achieved by adopting high street and retail marketing, branding and merchandising techniques. By staying ahead of the curve and anticipating exactly what customers really want, contractors offer clients ever higher levels of expertise. The fact that contracts are results-orientated enables the client to measure performance more accurately than is possible with an in-house operation – indeed, performance related targets are a concept that is becoming increasingly familiar in the contracted-out sector. Many contracts are now let on a basis other than cost plus/management fee; in food and service management, the number of contracts let on this basis is now just 34 per cent of the total with fixed price/performance guarantee contracts representing some 56 per cent. The incentive to meet financial and quality targets is overwhelming.
Emergency Services - Aramark
Redesign – with Costa Coffee – brings success

Aramark was awarded the Sussex Police contract in 2006 and successfully retained it in 2011. It provides 1,500 staff with catering, hospitality and emergency catering services across two sites - its headquarters is in Lewes and training site is at Slaugham Manor.

The key challenge here was to be innovative and to be able to keep pace with customer demands for variety and choice whilst maintaining strict control over prices and quality. Nil-subsidy was the overall objective.

Aramark worked closely with the client to develop a branded nil-cost solution for both the training centre and HQ and it has managed to achieve a year-on-year reduction on nil-subsidy for the force. It knew from previous experience at other sites, including Hertfordshire, Northampton, Gloucester and Surrey Police, that combining a retail outlet and coffee shop creates a highly successful combination and maximises sales within this type of environment.

To this end, and as part of its successful retention bid in 2011, it concluded a redesign and installation of Neo, one of its concept identities, to support the highly successful Costa Coffee brand. This resulted in a more traditional staff restaurant appearance and product offer, comprising an improved servery counter, staff restaurant and contemporary coffee/retail outlet and deli bar.

Government Agency – bartlett mitchell
Outsourcing boosts sales

Sales at Ofgem’s head office at Millbank, London, were boosted after it recognised that it needed to restructure the staff catering offer, reduce the range of traditional restaurant lunch options and increase the range of ‘grazing’ food. It recognised that that could only be achieved by bringing in skills that had a fresh approach and didn’t conform to what would be expected – hence the appointment of food and service management provider, bartlett mitchell.

Richard Fawssett, Associate Director of Procurement, says that Ofgem looked for a hands-on company that could demonstrate a combination of value for money, high levels of service, and capacity for innovation.

“This was really important to us because we also wanted to improve the financial return from catering. We needed to reduce subsidies and the key way of doing this was by increasing patronage. We needed a first class catering facility because that also helps us sell office space and bring in additional revenue in our multi-tenanted government bodies.”

bartlett mitchell, was given a big challenge: split the restaurant in two and open a new café that would offer staff a range of quality beverages, light meals and snacks throughout the day – something that would more closely match what was on the high street.

“We needed great ideas for change, inexpensive restaurant design and new food concepts,” said Richard Fawset.

David James, bartlett mitchell’s creative director is a firm believer in the maxim that the bigger the change that can be made at the start of a new contract in terms of food quality, service style and ambience, the greater the chance of winning over customers and improving sales.

In the restaurant, one of the choices introduced was bartlett mitchell’s space-saving concept “Eatsmart” where customers can have the same main dish served in a number of ways depending on what they fancy – for example, grilled chicken breast with spicy tomato salsa served with a tossed salad, or with a jacket potato, or with Mexican Rice, or served sliced in a baguette as a hot sandwich.

Ofgem considered various options for its café, including a High Street brand but opted for bartlett mitchell’s café concept Recoco, believing it was important not to have to conform to rigid brand standards that may not give staff the options they were looking for.

After a year, sales increased by 62% which helped to reduce the annual subsidy considerably.
CASE STUDIES

16 OUTSOURCING 2012: REMOVING THE BARRIERS FOR CATERING AND FACILITIES MANAGEMENT
Throughout the past five years we have established strong working relationships with the Head teachers, Governors, Senior Management and Pupil groups which have resulted in a £14,000 subsidy turned around to a £20,655 surplus in five years.

**Other activities have assisted in the process.**

**In year one** we addressed the catering team’s performance, appointed a competent catering manager and invested a small amount to develop the service offer to students with a bean to cup coffee machine, white service dishes to showcase the food quality and installed professional signage and marketing material.

**In year two** we sourced new servery counters which enhanced the food offer and became involved in sponsoring various school activities.

**In year three** we worked with sixth form students to create a Sixth Form Café exclusively used by the sixth form only and invested in a bean to cup coffee machine.

**In year four** the school invested in additional seating for the dining area as usage increased. A joint working party decided upon a cashless system which was installed and we introduced a food concept “Street Food” which has been so successful that additional cooking equipment was required to meet student demand.

**In year five** the school created covered outside seating to accommodate demand, online payment was implemented becoming compulsory after one term. We invested in a combi oven in return for an addition three year contract extension. We are now working with the senior management team to accommodate their five year strategic plan and its effects on catering services at the school.

Table 2: Types of Catering and facilities management (FM) contract, 2009-2011*

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Cost Plus/Management Fee</th>
<th>Fixed Price/Performance Guarantee</th>
<th>Profit and Loss Concession Contracts and Total Risk Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>27.3%</td>
<td>67.6%</td>
<td>5.1%</td>
</tr>
<tr>
<td>2010</td>
<td>34.8%</td>
<td>56.7%</td>
<td>8.5%</td>
</tr>
<tr>
<td>2009</td>
<td>24.9%</td>
<td>63.7%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

* Private and public sector catering and FM contracts

Source: BHA 2012
FSM companies provide catering and other support services in over 13,000 outlets in a wide range of sectors. The operational experience that this provides is significant and directly benefits clients who use contractors to operate their catering facility. In every case, it is in the operator’s interest to manage and direct the operation at the right cost and at maximum efficiency. Contractors have already moved to nil subsidy catering for their clients and because of their management expertise, clients are now also asking contractors to provide a range of support services including building and grounds maintenance, building services, the operation of retail outlets and more specialised activities such as the provision of sterile services.

**Exceptional Operational Efficiency**

In 2011, Eurest Support Services, a subsidiary of Compass group, was re-awarded an £80m, nine-and-a-half year contract at the Defence Academy of the United Kingdom. Its ability to deliver up to 3,000 meals a day, along with diverse bundled support services, whilst simultaneously meeting the demands for high profile hospitality, was the key factor in ESS being given preferred status.

The Defence Academy is the premier tri-service training college for the UK military, providing training for a large number of Defence force students from around the world. ESS provides support services across the campus including catering for all residential students, as well as catering for many very high-profile visitors and events – several of international repute.

Paul Lidster, CI Contract Manager, for Serco at the Defence Academy, says:

“The support, catering and cleaning services provided by ESS have been consistently of the highest standard and we consider ourselves extremely well served by our ESS staff. The award-winning catering team of chefs and stewards ensure that, within budget, the provision of the highest quality food is the normal standard, and the professionalism and dedication of the support staff is highly commendable. “In concert with the other support services, ESS makes a very valuable contribution in maintaining the world-class standards enjoyed at the Defence Academy, and are key team-players in underpinning its ethos and reputation.”

**Defence - Compass**

Compass re-awarded 9 1/2 year contract

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**Table 3: Number of outlets in which FSM companies invested, 2011**

<table>
<thead>
<tr>
<th>Segment</th>
<th>£0-£25k</th>
<th>£26k-£50k</th>
<th>£51k-£100k</th>
<th>£101k-£500k</th>
<th>Over £501k</th>
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<tbody>
<tr>
<td>Business and industry</td>
<td>91</td>
<td>23</td>
<td>16</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Healthcare</td>
<td>3</td>
<td>8</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Education</td>
<td>50</td>
<td>13</td>
<td>-</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Ministry of Defence</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Leisure</td>
<td>20</td>
<td>2</td>
<td>8</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>164</strong></td>
<td><strong>46</strong></td>
<td><strong>27</strong></td>
<td><strong>36</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>

Source: BHA 2012
Cleaning Matters offer gives NHS Trust the confidence that cleanliness and hygiene are top priorities for Sodexo.

The challenge:
Cleanliness and hygiene in hospitals have a huge public and media profile. High standards are not only demanded by NHS Trusts, patients and their families, but are absolutely critical when it comes to reducing the risk of viruses. Epsom General Hospital in Surrey needed a partner it could trust to deliver those standards.

The solution:
Sodexo introduced a cleaning offer developed specifically to ensure minimum standards of operation and a consistent and compliant service delivery.

Cleaning Matters includes a whole host of benefits that appealed to Epsom General Hospital, including structured work schedules and an infection prevention programme through to a thorough monitoring process and fully trained, competent staff.

As part of the solution designed for Epsom General Hospital, Sodexo introduced a number of innovations to improve efficiency and standards of cleanliness.

Innovations included trolleys capable of transporting mops, cloths and cleaning materials to reduce the frequency of collections from the cleaning cupboard; the Gtech Cordless Professional Power Sweeper, which lasts four times longer than conventional vacuum cleaners and has an antibacterial silver ion compound that kills 99 per cent of MRSA, salmonella, listeria and e-coli; and a bucketless mop system for rapid response cleaning.

Sodexo also introduced a wipes hygiene dispenser that sterilises and disinfects as it removes dirt from hands and surfaces, as well as trialling an ATP swab monitoring system to test the cleanliness on high patient touch points.

Business benefits:
The Cleaning Matters offer has given the Trust at Epsom General Hospital a professional framework of policies, procedures, training materials and monitoring tools to give them the confidence in Sodexo’s expertise and working practices.

However, the real test of success is patient feedback. The Care Quality Commission’s NHS Inpatient Survey 2010 showed some very positive results for Epsom General Hospital. Some 390 patients took part in the survey and a staggering 94 per cent thought their room or ward was very or fairly clean. In addition, 91 per cent considered the toilets and bathrooms very or fairly clean.

This success is further supported by the Patient Environment Action Team’s annual assessment. The assessment measures all non-clinical aspects of patient care, including cleanliness, infection control, food and patient environment. NHS Trusts are given a score between one and five, with one being unacceptable and five being excellent. The average score, specifically for cleanliness, across all NHS sites, is currently 4.59. However, Epsom and St Helier University Hospitals NHS Trust is above average, scoring 4.68.

“Since the Cleaning Matters offer was implemented, I can honestly say we have enjoyed a more consistent cleaning service and innovative solutions added,” says environmental services manager at Epsom and St Helier University Hospitals NHS Trust, Paul Haslett. “The offer focuses everyone involved in the best methodologies and delivering continuous improvement.”
Table 4: Number of Facilities Management Services provided by FSM companies as part of a catering contract, 2011*

<table>
<thead>
<tr>
<th>Service</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laundry</td>
<td>165</td>
</tr>
<tr>
<td>Medical</td>
<td>6</td>
</tr>
<tr>
<td>Administration/secretarial</td>
<td>80</td>
</tr>
<tr>
<td>Sterile services</td>
<td>37</td>
</tr>
<tr>
<td>Building (maintenance and/or management)</td>
<td>421</td>
</tr>
<tr>
<td>Portage</td>
<td>37</td>
</tr>
<tr>
<td>Cleaning/domestic services</td>
<td>1,544</td>
</tr>
<tr>
<td>Distribution (transport/couriers)</td>
<td>34</td>
</tr>
<tr>
<td>Mailroom and postal facilities</td>
<td>77</td>
</tr>
<tr>
<td>Facilities Management</td>
<td>332</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>191</td>
</tr>
<tr>
<td>Help Desk</td>
<td>19</td>
</tr>
<tr>
<td>Security</td>
<td>161</td>
</tr>
<tr>
<td>Prison shops</td>
<td>5</td>
</tr>
<tr>
<td>Shops/tuck shops</td>
<td>99</td>
</tr>
<tr>
<td>Car park management</td>
<td>13</td>
</tr>
<tr>
<td>Grounds Maintenance and gardening</td>
<td>513</td>
</tr>
<tr>
<td>Conference facilities (marketing and management)</td>
<td>53</td>
</tr>
<tr>
<td>Other</td>
<td>132</td>
</tr>
<tr>
<td>Fire</td>
<td>36</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,227</td>
</tr>
</tbody>
</table>

*Source: BHA 2012*
FSM companies have a vital role to play as part of the hospitality economy, the fifth largest in the UK, in creating and sustaining jobs by investing in training and offering opportunities for structured work placements and apprenticeships.

As an industry which depends on its people, the efficiency of catering outlets relies on the skill and talent of both management and staff.

Few sectors of the hospitality industry, invest more in staff training than FSM - £15m in 2011, a figure which has been consistent for the last five years, and this investment is further bolstered by ‘on job’ and ‘in house’ training. These activities recognise the sector’s need for skilled staff and its ability to provide these staff with promotion prospects and structured careers ensuring that client contracts are operated in the most efficient manner with a flexible approach to labour provisions and solutions.

**Case Study**

**Education – Brookwood Partnership**

*This is a best practice example from the private education sector but the issues and challenges are also common to the state sector.*

Before The Brookwood Partnership took over the catering provision at Davenies School, Beaconsfield, nine years ago, the catering was undertaken in-house by a team of seven people. The catering offer, however, had stagnated due to insufficient training or the development of new ideas. Attempts had been made to increase the variety and style of the catering but it was often left to the headmaster or bursar to introduce new ideas.

Brookwood’s infrastructure enabled levels of training and development to be increased immediately. In addition, as soon as the company took over, the school saw a rapid improvement in the variety, style and quality of the 400 hot meals produced per day. The bursar claimed that the school had advanced 10 years in the space of about 10 weeks.

Since then the skills and knowledge of the team have risen dramatically. The kitchen assistant at the time, Elaine Dachtler, has undertaken NVQ training as well as Brookwood’s management training programme and has since progressed through the role of chef to become chef manager in September 2011 – something that would never have happened under the in-house provision.

Another benefit was the development of a new state-of-the-art kitchen and dining room. After Brookwood’s appointment, uptake increased so much it pushed the existing facilities to the limit; this advance convinced the governors of the need for the new facilities. With the company firmly embedded into the school family, the teaching and administrative staff were able to leave the design and management of the development to Brookwood’s highly experienced and knowledgeable team – one that would only be found in a specialist catering firm.

“Incorporating an in-house team into a catering contractor can be very daunting,” says Sue Parfett, managing partner. “But we have had a lot of experience transferring staff from self-operated. The secret of success is to provide the right level of support that is necessary to guide people through the change.

“The in-house team at Davenies took to Brookwood’s healthy eating style very quickly and the change in output was quickly noticed by everyone at the school.”

In 2011, £15m was invested in staff training by food and service management companies.
Property Management - Sodexo
Grounds maintenance contract inspires community involvement

The challenge
Wakefield District Housing is committed to improving and maintaining a quality environment for residents and tenants and to providing a better standard of living. In 2010, the housing association turned to Sodexo to help it achieve that mission.

The solution
With some 31,000 properties across Wakefield and the surrounding towns, Wakefield District Housing is the second largest housing association in the country. Its remit includes houses, flats, bungalows, communal areas and open spaces. Wakefield used to be a major mining area, but since the industry declined, the area now has a large population of unemployed residents.

In 2010, Wakefield District Housing employed Sodexo to provide comprehensive service solutions across much of its region. Services include grass cutting, shrub bed maintenance, upkeep of hedges, hard edge maintenance and weed control.

Sodexo manages a team of 26 operational employees to maintain high quality landscaping across the region. The team includes eight apprentices from Wakefield who have been given a chance to get into employment, learn a vocation and develop a career.

Those eight employees have spent 18 months on Sodexo’s apprenticeship scheme and are being trained to achieve a City & Guilds diploma in work-based horticulture.

In partnership with SLIC Training, Sodexo has developed the apprenticeship scheme to help those apprentices also achieve licences to apply chemicals, such as pesticides.

In addition to employing local resources, Sodexo has played an active role in supporting community projects, including Wakefield’s Love Where You Live scheme, which is designed to instil a sense of pride amongst residents.

The benefits
Since the contract began, Sodexo has made a positive impact at Wakefield – not only in terms of standards and the quality of the environment in which residents live, but also by giving something back to the community.

A number of measures have been put into place by Wakefield District Housing, including inspection forms that are completed by key residents, an annual residents’ survey and fortnightly site inspections.

“The service we’ve received from Sodexo has been of a consistently high standard,” says Wakefield District Housing’s landscape manager, Mike English. “And Sodexo’s involvement in local projects has really helped instil a sense of community in the area.”

In addition to meeting the service levels dictated by the contract, Sodexo attends tenants’ association groups to ensure any resident complaints are dealt with quickly and efficiently, as well as providing an avenue for continuous improvement.
It is amazing how much paperwork is involved in a typical school kitchen from forms for temperature recordings, menus and recipes through to health and safety and HR forms.

Advances in technology can also play a strong role in driving up efficiency and productivity.

**Education – Cypad**

**Improving efficiency in outsourced catering operations via technology**

Primary school kitchens are often cramped with little technology available, as the cost of installing and maintaining a PC has been prohibitive. The consequence of this is poor communication between caterer and unit managers, slow collection of information from the kitchen and cooks feeling isolated. Problems escalate, only being uncovered long after it is possible to remedy them.

Accepting this constraint Cypad has worked with BHA member Harrison Catering in Ealing firstly to equip managers with handheld devices. This meant that monitoring of the operation and food standards could take place whenever the managers were on site which has been called for by parents in a recently published Local Authority Caterers Association report.

The second step was to make use of the only technology that was available in the kitchen itself - a phone - to collect weekly figures such as meal numbers, using an automated system. This meant that performance indicators such as meal uptake, cost per meal and meals per hour could be made available immediately and without taking-up managers’ time to collect and record the necessary figures thus improving efficiency and monitoring productivity.

The next step was to provide a payments system for school meals. This was done recognising that schools operate differently; some moving to a completely online payments system; some staying with cash and others opting for a hybrid system of both on-line and cash payments. The Cypad school meal payment system both cut payment collection costs and improved flexibility.

In the last year the economics of equipping even small school kitchens with suitable technology have changed dramatically, with the advent of low cost tablets. An advantage of this is that many cooks have already used a smartphone or a tablet and because they were designed to be used without any formal training, are far quicker to get up and running.

With screens now large enough to read any document and the mobility to carry them from kitchen to stock room to serving area, comprehensive communication is now possible between the kitchen and the caterer’s head office. Documentation, stock control, ordering, staff hours recording and every kind of form filling can be carried out, all being managed and updated centrally. Cooks feel much more part of a team and can communicate with each other as well as with their managers. The information flow is two way, so messages can be sent out to kitchens as and when required.

It is amazing how much paperwork is involved in a typical school kitchen from forms for temperature recording, menus and recipes through to health & safety and HR forms. It is now practical to remove all of this paper. In some ways the lack of technology in the kitchen that has proved so limiting in the past now offers a real opportunity.
2. IMPROVE THE COMMISSIONING PROCESS

to continue to raise skill levels to ensure that services are commissioned more strategically across the whole public sector and take up the industry’s offer to use its global talent and expertise.

With the development of the Lean Procurement Sourcing Principles, Government has taken initial action to ensure that those responsible for Central Government procurement have greater levels of expertise to reduce the length, complexity and cost of procurements with a shift of emphasis to pre-procurement dialogue to shape what comes to market. Since January 2012, it has been mandatory for Lean Sourcing Principles to be applied to all procurements across Central Government.

The BHA recommends that the Cabinet Office encourage the application of Lean Procurement, across the wider public sector to all foodservice and support services, as part of property and facilities management.

However, there is still a need to encourage staff to be more commercially-minded and to improve the knowledge of technical catering processes on the part of those responsible for procurement which would help reduce costs and improve efficiency.

With the implementation of the Localism Act 2012 alongside reforms of education, and healthcare, there will be decentralisation of the market with a potential consequence of a lack of procurement skills on the part of commissioning organisations. Taking Academy Schools as an example, will their governors have the skills and knowledge to procure effective catering and other services?

There is still a need across the public sector for those responsible for procurement to improve knowledge of catering processes to reduce costs and improve efficiency.

BHA commits:

◆ Together with our partner FCSI, we are committed to promoting good practice in procurement skills. We aim to support enhanced professionalism and effective procurement across the public sector and will engage with Government plans to set up a Commissioning Academy to drive the necessary commercial skills and understanding of outcomes based procurement.

◆ Together with FSCI, we will support the Procurement Pledge for Local Authorities to promote and implement procurement procedures that are less burdensome; and build skills, capacity and expertise in public procurement.
3. SET A CLEAR VISION

Government should engage with all stakeholders to create a shared vision to define the scale of the opportunities created by the open public services agenda.

The Government Procurement Service is currently implementing a major change programme to transform operations and performance to deliver centralised procurement.

As part of this programme towards a single government client model should provide opportunities for more effective management of supply chains and encourage the right mix of providers who can deliver the public services people want, ensuring a truly level playing field between the public, private and voluntary sectors.

With this objective in mind, the Government must work with commissioners and providers of services to define clearly the scale of the opportunity that exists for the provision of catering and soft FM services and where it is ‘comfortable for the state to lose its monopoly of provision, and how this change can be realised.’ A discussion should also take place about whether proposed national frameworks for public procurement are at odds with the aim of increasing innovation and diversity of provider through regional and local deals with smaller suppliers.

The BHA is a supporter of the Government’s Procurement Pledge. This sets out an agreed understanding with providers and their representative bodies to formalise a new approach to public procurement using the public sector’s purchasing power to deliver greater efficiencies and support economic growth. It also provides a mechanism under which Government can be held to account.

In 2010-2011 the public sector spent over £2.14bn on food and catering. Spend on total facilities management is predicted to rise to £15.6bn by 2017 from the current £11.3bn.

LOCAL GOVERNMENT

As part of the Government’s review into local government finances Community Budget pilots have been launched to explore how communities can have greater control over services through a single budget from Whitehall.

BHA commits:

- We will continue to share good practice with all our government colleagues and will engage with key stakeholders as the business cases and outcomes emerge from the first four Community Budget Pilots to explore opportunities across all public services.

DEFINING THE SCALE OF THE OPPORTUNITY IN THE CATERING AND FACILITIES MANAGEMENT SECTOR

The provision of contracted-out food and catering services in the public sector is a relatively small but highly complex sector of the total contracted-out market. In 2010-11, £235bn was spent by the public sector on procuring goods and services, £2.14bn of which was spent on food and catering included in the £11.3bn spend on total facilities management. It is predicted that this figure will rise to £15.6bn (including food and catering) by 2017.

Source: Cabinet Office
Government published figures show that, over the next five years, £70bn of government contracts across 13 different sectors will be put out to re-tender. Food and service Management is not individually identified but is part of the Property and Facilities Management sector.

Source: Cabinet Office

BHA’s latest (2012) FSM Survey suggests that the total value of contracted catering and facilities management is just over £4bn of which in the region of 25 per cent is in the public sector. These figures do not include PFI investments. In comparison to the total value of the contracted-out market the catering and facilities management elements of these PFI contracts are relatively small but not insignificant.

In catering whilst the level of outsourcing in terms of outlets is relatively low, the number of meals is significantly higher. In Table 5, we show the number of contracted outlets in the market as a percentage of all outlets in that sector.

Table 5: Number of outlets, 1991, 2004-2011 (followed by % share of the total contracted market for the year)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total outlets</td>
<td>13,801</td>
<td>13,690</td>
<td>16,583</td>
<td>16,983</td>
<td>17,603</td>
<td>17,373</td>
<td>16,969</td>
<td>18,028</td>
<td>11,954</td>
</tr>
<tr>
<td>% change on previous year</td>
<td>0.8</td>
<td>-1.4</td>
<td>-2.3</td>
<td>-3.5</td>
<td>1.3</td>
<td>2.3</td>
<td>-5.8</td>
<td>-1.9</td>
<td>-</td>
</tr>
</tbody>
</table>

† includes training centres and construction sites

Outlets means any catering unit (or part of a catering unit) which is separately operated and managed; a catering unit could have a number of different outlets. Local authority catering includes civic administration, police, fire and welfare; state education includes state schools and grant maintained schools, further and higher education; independent schools include all private schools; healthcare includes NHS, private hospitals, nursing and retirement homes.

Source: BHA 2012

In Table 5, it will be seen that the number of contract outlets in the Business and Industry sector, which has exclusively private sector clients, is much higher than in areas such as healthcare and education, where the state remains the main provider. For example, just over 72% of school catering is still controlled by in-house caterers.
In terms of meals provided, the share held by contractors is significantly higher because most contracted-out outlets are larger units. In the NHS, for example, contracted-out units tend to be to be major hospitals (though contracting out is prevalent in the private healthcare sector too). In education, many large-scale FE and HE colleges and universities have brought in contractors to provide their catering service. The complexity of these large-scale operations and the high number of meals provided has done much to encourage outsourcing.

In 2011, the BHA’s research shows that FSM companies provided in the region of 25 per cent of the total number of meals in the public sector encompassing healthcare, education, defence, prisons, education and local authority catering.

This highlights the significant scope for expansion in the public sector market.

### Table 6: Number of Meals (m) served in the contracted-out public sector market 2011*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and Industry</td>
<td>468</td>
<td>456</td>
<td>582</td>
<td>717</td>
<td>666</td>
<td>680</td>
<td>645</td>
<td>617</td>
<td>325</td>
</tr>
<tr>
<td>Healthcare</td>
<td>145</td>
<td>165</td>
<td>250</td>
<td>197</td>
<td>210</td>
<td>203</td>
<td>204</td>
<td>208</td>
<td>41</td>
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<tr>
<td>State Education</td>
<td>258</td>
<td>234</td>
<td>263</td>
<td>266</td>
<td>289</td>
<td>272</td>
<td>265</td>
<td>287</td>
<td>33</td>
</tr>
<tr>
<td>Independent Schools</td>
<td>95</td>
<td>106</td>
<td>90</td>
<td>88</td>
<td>100</td>
<td>105</td>
<td>100</td>
<td>120</td>
<td>81</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>21</td>
<td>18</td>
<td>24</td>
<td>23</td>
<td>19</td>
<td>20</td>
<td>22</td>
<td>28</td>
<td>31</td>
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<tr>
<td>Ministry of Defence</td>
<td>166</td>
<td>172</td>
<td>215</td>
<td>170</td>
<td>165</td>
<td>105</td>
<td>105</td>
<td>110</td>
<td>56</td>
</tr>
<tr>
<td>Oil Rigs†</td>
<td>25</td>
<td>21</td>
<td>30</td>
<td>18</td>
<td>20</td>
<td>16</td>
<td>16</td>
<td>17</td>
<td>25</td>
</tr>
<tr>
<td>Catering for the public</td>
<td>201</td>
<td>200</td>
<td>153</td>
<td>140</td>
<td>150</td>
<td>139</td>
<td>139</td>
<td>214</td>
<td>62</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,379</strong></td>
<td><strong>1,372</strong></td>
<td><strong>1,607</strong></td>
<td><strong>1,619</strong></td>
<td><strong>1,599</strong></td>
<td><strong>1,540</strong></td>
<td><strong>1,496</strong></td>
<td><strong>1,601</strong></td>
<td><strong>654</strong></td>
</tr>
<tr>
<td>% change on previous year</td>
<td>-</td>
<td>-14.6</td>
<td>-</td>
<td>1.2</td>
<td>3.8</td>
<td>2.9</td>
<td>-6.5</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


† includes training centres and construction sites

Source: BHA 2012
Outsourcing 2012: Removing the Barriers for Catering and Facilities Management
4. RECOGNISE THE VALUE OF FOOD

to reinforce the business case for investing in good food across the public sector.

Good food supports public sector workers in improving their productivity and also has a key role to play in delivering a wide range of desired policy outcomes across the public sector including: improving patient recovery; contributing to rises in educational attainment, contributing to the welfare of those serving in the armed forces; and having a positive impact on prisoners’ behaviour.

Furthermore, FSM companies are also founder supporters of voluntary agreements across private and public sector contracts which include the:

**Responsibility Deal on Public Health**
where they support pledges, amongst others, to provide calorie information at point of purchase and to reduce levels of salt and trans-fats in food served

and the recently launched (June 2012) **Hospitality and Food Service Agreement on Food and associated Packaging Waste** to improve rates of Waste Prevention and Waste Management.

The **Public Services (Social Value) Act 2012** and the forthcoming reform of EU procurement should allow for the proper consideration of social and environmental values as part of the procurement process. This should be a source of competitive advantage for FSM companies as there has been far more innovation in the private sector than in the public sector in this area.

The BHA and FCSI will further develop the evidence base for the value of food in education, healthcare, defence, and the prison and justice services in line with the implementation of the Public Services (Social Value) Act 2012 and its application to food and service management to include the development of suitable metrics.

**Good food has a role to play in delivering a wide range of desired policy outcomes across the public sector.**
The British Hospitality Association represents via its Food and Service Management Forum the interests of these companies in the contract catering and facilities management sector:

ABM Catering
Accent Catering
Aramark
Artizian Catering Services
bartlett mitchell
BaxterStorey
Blue Apple

The Brookwood Partnership
Celtic Catering Partnership
CH&Co
Delaware North Companies (UK)
Dine
Elior
GSS Purchasing
Harbour and Jones

Harrison Catering Services
Initial Facilities
Lexington
Mount Charles Catering
OCS UK
Simply Smart Group
Sodexo
Vacherin

We also acknowledge the contribution of Compass Group and ISS to this report.

With thanks to Adande for their support of the launch of this report.

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Common Sense Compliance Limited
Coverpoint Catering Consultancy Limited
Food Service Consultants Ltd
Foodesco Ltd
Foodservice Ventilation Consultants
Geoff Ward Consultancy
Carson Catering Ltd
GWP Ltd
GY5 Limited
Hepburn Associates Ltd
Humble Arnold Associates
Intelligent Catering
KEG Consultants
Keith Winton Design Limited
King Design Consultancy
Merritt-Harrison Catering Consultancy
MESV Consultancy International
Neller Davies
Panache Consultancy Limited
Peter R Consulting Ltd
Robert Read Associates
Rosemary Osbourne Consultancy
SeftonHornWinch
Sterling Foodservice Design
Stern Consultancy
Support Training & Services plc
The Food and Beverage Training Company
The Peter Burholt Partnership
The Russell Partnership
Tim Dunn Design
Tricon Foodservice Consultants plc
Turpin Smale Foodservice Consultancy
ZBP Acoustics

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