

## **Catering Market Testing/Tender**

**Supplementary Paper to Previous Report of 24<sup>th</sup> March 2009**

## **Progress Update**

Following completion of the previous tender report on the 24<sup>th</sup> March 2009, a number of following actions have continued over the last week to clarify the Aramark tender offer in order to manage the foreseeable risks associated with the University awarding the contract to Aramark. The areas being clarified included:-

- VAT liabilities for the University.
- TUPE requirements in regard to the University and incoming contractor liabilities.
- Employee transfer arrangements and the extent of the Government Actuary's Department view on the Aramark pension satisfying the requirement for broad comparability with LGPS.
- University/Aramark contract terms.
- Summary of the cost comparisons between the In-house option and Aramark tender offer.

## **VAT Liabilities**

It has been confirmed that both the In-house and Aramark options do not qualify for partial VAT exemption in relation to the new CitySpace building capital cost for catering areas only.

The VAT liability of the University is limited to payment of VAT on the Aramark 'management fee' requiring a payment by the University of £9,212 per year over the term of the Aramark contract.

Currently the University also pays a VAT charge to cover the 'staff' proportion of catering sales as against the 'student' catering sales. There remains a requirement for the University to continue making this VAT payment, which is estimated at £30k per year. This VAT payment is required no matter if In-house or Aramark are the catering provider.

## **TUPE : LGPS/GAD Pension and University/Aramark Contract Details**

Progress has been made in clarifying several issues on the above and work is continuing supported by Legal Services and Human Resources internally with Watson Burton and the Russell Partnership providing specialist external advice. Whilst this work is not fully completed and some risk remains the view of the individuals involved is that the remaining issues can be resolved over the next period and that there is now sufficient confidence to enable a decision to be made to award the contract to Aramark (subject to satisfactory resolution of TUPE, LGPS/GAD and contract terms) to enable timely Unison and staff communications to take place. Facilities managers and Human Resources (I Clark and L Alexander) are working together on this important matter. To delay awarding the contract any further puts this process at risk as the staff are aware a decision is imminent.

## Summary of 'In-house' v 'Aramark' costs over the Seven Year Contract Period

The below tables summarise the various cost comparisons, the outcome of which supports the recommendation to award the catering contract to Aramark.

### Aramark and In-house Comparison over 7 year contract

	Aramark	Aramark	Total Aramark	Inhouse	Inhouse	Total In house
	City Campus	St Peters		City Campus	St Peters	
VAT on Management Fee	27,195	37,292	64,487	0	0	0
Subsidy to operate	Nil cost (incl capital of 42975)	Nil cost (incl capital of 225174)		64,767 (incl capital of 42975)	960,455 (incl capital of 225174)	1,025,222
Initial Investment for brand development	0	0	0	20,000	20,000	40,000
<b>Contract Cost over 7 years</b>	27,195	37,292	<b>64,487</b>	84,767	980,455	<b>1,245,222</b>
Potential for profit share			√			x

### University costs, payable over 7 year contract regardless of service provider.

	Aramark	Aramark	Inhouse	Inhouse
	City Campus	St Peters	City Campus	St Peters
<b>Central Recharges note 1.</b>				
City space	451,934		451,934	
Ash, Murray, Edin, Priestman.	221,425		221,425	
St Peters campus.		897,974		897,974
Deep cleans.equipt maintenance.	15,000	15,000	15,000	15,000
<b>Totals</b>	<b>688,359</b>	<b>912,974</b>	<b>688,359</b>	<b>912,974</b>

**Note 1. Central recharges include utilities, general maintenance, campus services, e.g. window cleaning, cleaning.**

**NOTE: VAT on staff sales is paid on approximately 18% of counter cash regardless of who operates the catering service, on the counter cash figures provided this equates to approx £30k per annum for Aramark and £27.6k for in-house**

<b>Total University Subsidy for catering over 7 years, including contract cost, central recharges and VAT payments</b>	
Aramark	£1,875,820
In house	£3,039,755

## **Recommendation**

The Executive is requested to approve the award of the catering contract to Aramark, the finalisation of which is subject to satisfactory resolution of the TUPE, LGPS/GAD employee provision arrangements and detailed contract terms.

Ian Gray  
31<sup>st</sup> March 2009