

Subject: Royal Pavilion & Museums Catering
Date of Meeting: 29th November 2012
Report of: Interim Lead Culture
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Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT

- 1.1 The Royal Pavilion & Museums (RPM) has catering operations at the Royal Pavilion, Hove Museum and Brighton Museum. At Hove Museum and the Royal Pavilion these are run in-house, the Café at Brighton Museum is operated under a licence agreement which is now up for renewal. RPM also runs a series of Functions and events across all its sites with event catering provided by an approved list of caterers.
- 1.2 The RPM sites receive approximately 700,000 visitors annually, with sites with public catering open all year. Catering is usually a significant contributor to the funding of museums and heritage attractions nationally.
- 1.3 Catering at the RPM over the last four years has generally operated at a loss, adding a budget pressure with losses being offset by improvements in admissions income.
- 1.4 RPM is working jointly with Brighton Dome & Festival Ltd (BDFL) in a number of areas relating to economic sustainability. These include commercial improvements in catering; corporate and conference hires across the estate; business marketing and fundraising. The two organisations tendered jointly for catering services and this report is bringing forward the results of that process for approval.

2. RECOMMENDATIONS

That the Committee:

- 2.1 Approve the award of the tender for catering services to the Royal Pavilion & Museums to Peyton & Byrne.
- 2.2 Notes that that the contract has been tendered jointly with Brighton Dome & Festival and will be managed under a Partnership Agreement.

- 2.3 Notes that staff currently working at Hove Museum Tearoom and the Royal Pavilion Tearoom will be subject to Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") arrangements, and to give delegated authority to the Head of Royal Pavilion and Museums in consultation with the Director of Finance, the Head of Law, the Head of Human Resources and the Chair of Economic Development and Culture Committee, to resolve TUPE and pensions arrangements following staff consultation and to authorise the Head of Law to complete all the necessary documentation regarding such matters and the award of this contract.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS

- 3.1 In September 2011, with funding from the national body Museums Libraries & Archives Council (MLA) under a programme called Renaissance in the Regions and the institutional transformation strand, and as part of RPM and BDFL's on-going partnership work, RPM embarked on a joint catering review with BDFL. This was the first time the combined catering strands at RPM had been strategically reviewed. The terms of reference were:

- Assess current offer, facilities and performance
- Research and analyse the current food and drinks market in Brighton and Hove to help identify trends, target customer groups and competitors etc
- Generate and assess options for future catering provision to generate the best model for future operations (e.g. joint venture, independent models, in-house versus outsourcing models, etc)
- Develop a business case for the preferred model indicating levels of investment required and the return on that investment

The report highlighted that the Brighton café market is second only to London in terms of fashion, quality and quirkiness. Standards of food and presentation are high with a strong local preference for the privately run "individual" outlets operated by catering entrepreneurs, as opposed to major high street branded cafés, coffee shops, sandwich shops. Without specialist knowledge and experience, as well as the ability to provide major investment to improve the offer, it would be difficult to build a successful café and bar business in these venues.

The final report offered both organisations practical advice on short term improvements that could be made. However the longer term recommendation was that all of the catering services at all sites be put out to tender, as both organisations lacked the investment potential, staff capacity needed and the specialist catering expertise required to meet their shared vision of running a successful catering and hospitality offer at the heart of Brighton's Cultural Quarter to complement the City's unique cultural offer.

- 3.2 In June 2012 a report was taken to Economic Development & Culture Committee and approval given for;

The seeking of tenders in respect of all catering provision for RPM under contractual arrangements which will subsist for a period of five years with an option to extend for up to a further two years.

With delegated powers given to:

- determine how the tendered opportunities should be packaged eg. whether there should be division into lots;
- whether the tender should take place jointly with Brighton Dome and Festival Ltd (BDFL) and if so, how best to structure the tender/ contractual arrangement.

It was agreed the result of the process would be brought back to Policy & Resources Committee for approval.

3.3 The procurement exercise was led by the Council on behalf of the two organisations, with specialist independent advice from Turpin Smale, a consultancy with catering expertise in visitor attraction/venue market to assist with specialist catering input.

3.3.1 The tender was structured so that companies (including social enterprises) could tender for all of the business across all sites or for individual outlets or for groups of outlets. The following Lots were identified and outlined in the Preliminary Qualification Questionnaire and anticipated investment levels were also specified :

- LOT 1: All requirements across all venues. Estimated investment £260k-£300k
- LOT 2: Royal Pavilion Tearoom & Hove Museum Tearoom (daytime catering). Estimated investment £140k-£160k
- LOT 3: Functions at BDFL & Royal Pavilion, Brighton Museum, Preston Manor
- LOT 4: Brighton Gallery Café & Cart, Dome Foyer New Café, Pavilion Theatre Café – daytime & performance times. Estimated investment £120k-£140k
- LOT 5: Brighton Dome & Festival Performance Bars - performances and when required for functions

3.3.2 Expressions of interest were sought from suitably qualified contractors including social enterprises through the Official Journal of the European Union (OJEU). The Contract Notice generated 26 expressions of interest from a wide range of potential suppliers. Following completion of the Pre-Qualification process, 9 potential suppliers were sent an Invitation to Tender (ITT). The ITT was issued on 7th August 2012. Three tender responses were received by the deadline of 10th September 2012. Those who declined to bid cited similar factors in impacting their decision to pull out of the process including:

- Lack of local base - some of the bigger competitors felt they could not compete on a sustainability front as they could not afford to move away from their large national suppliers.
- Investment Levels – some of the larger companies felt that significantly more investment would be required
- Complexity – feedback focussed on the complex nature of the business across two organisations with multiple sites and multiple audience profiles.
- At the time of the tender a number of other attractive contracts came on to the market.

3.3.3 Each tender submission was evaluated on price (40%) and quality (60%) and the evaluation occurred on a lot by lot basis. Each contractor was instructed to submit a written statement for ten quality related questions covering their overall approach to;

- Catering Offer & Concepts
- Creativity / innovation
- Service Delivery Style and Level
- Operational Systems / KPI's
- Marketing & Sales approach
- Sustainability
- Contract Delivery and Management
- Contract Mobilisation

For reasons of commercial sensitivity some financial information is contained within a Part II report elsewhere on this agenda.

3.4. **Experience**

Peyton & Byrne (P&B) is a family owned and operated business with strong links to Brighton. The family moved to Brighton in 1979 from Ireland and opened and ran The Can – a hiphop club - in the town before expanding into other areas. The family still have a home within the city.

The company has grown over the past ten years and is now an established supplier of catering to a number of iconic arts institutions in London and the South East. It operates a well established mix of day time public catering, performance venue catering, events and conference catering and high street bakeries.

- The Royal Academy of Arts
- Inn the Park, St James' Park
- National Café and National Dining Rooms, The National Gallery
- The Wallace Restaurant, The Wallace Collection
- The Orangery and Pavilion, Kew Gardens
- The ICA Bar and Café

- Peyton & Byrne Bakeries at Heals Tottenham Court Road, St Pancras and St Giles
- The Wellcome Collection Cafe
- The British Library (London and York) Cafés
- Victoria Gate and White Peaks Café, Kew Gardens

3.4.3 **Creativity, quality and innovation**

The company demonstrated their proven track record in working with clients to develop bespoke, venue sympathetic and commercially successful outlets. Their tender response included design concepts and menus which distinctly reflect the personality and the different target audiences of each of the sites. The pricing of menus is based on current pricing and benchmarked favourably against local operators. The tender document demonstrated the company's commitment to sustainability, with all menus focussed on seasonal produce and local suppliers to reduce food miles, many local suppliers named within menu's themselves and systems and procedures to manage waste, minimise packaging and reduce energy consumption.

The company evidenced their commitment to community engagement through work in the neighbourhoods of other venues in which they operate including, schools programmes, cookery courses for target groups and close working with local colleges and universities, as well as local jobcentres to offer internships and apprentice schemes in all areas of the operation.

They demonstrated innovation in areas for example running a vegetable garden on one of its client's grounds to provide vegetables and herbs for its restaurants, and the company's long term commitment in selling Thirsty Planet Mineral Water in all its outlets to support the building of wells in Africa.

4. **OTHER CONSIDERATIONS**

4.1 **Partnership Agreement**

For the two separate legal entities, BDFL and RPM as part of the council to jointly contract, a formal partnership agreement is required. This agreement is currently being drafted and is the subject of a report to the Economic Development & Culture Committee which meets on 15th November.

4.2 **Staffing considerations**

RPM has 4 permanent staff and 3 casual/temporary staff for which the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply. The Committee is asked to delegate to the consultation with staff and unions regarding the terms of TUPE and any other staffing implications to the Head of RPM in consultation with officers and members referred to in Recommendation 3.

P&B is offering an extensive training programme for all transferred staff and new employees. There are limited career opportunities at present for catering staff within the museum/council organisation. The benefits of working for a

specialist catering contractor include broader training and development and improved opportunity for career progression.

5. CONSULTATION

- 5.1 Initial discussions have taken place with Trade Unions and the members of staff working at the RPM regarding the likelihood of TUPE transfers. The Trade Unions and individual staff have been informed that a preferred bidder has been selected and will be consulted formally alongside the due diligence process.
- 5.2 Independent sector expertise in the form of the consultancy Turpin Smale was used by both BDFL and RPM throughout the tender and evaluation process to provide sector specific expertise. Their recent clients have included The Natural History Museum, The Museum of London and Historic Royal Palaces, The Royal Society for the Arts, Birmingham Rep and Birmingham City Council on a joint redevelopment, Fulham Palace and the Royal Albert Hall
- 5.3 Solicitors have been appointed by both BDFL and BHCC to frame the contract for the tender and the partnership agreement to ensure that the process is favourable to both parties.
- 5.4 A number of local and national museums and historic houses have been consulted as to how they run their catering offers. Very few run in-house catering businesses, as they are difficult to operate effectively and can involve a lot of special arrangements. Most comparator services have found their strengths to be a focus on their core activities and harnessing external expertise to drive the catering specialism. To meet the demand for catering within the sector, a considerable number of specialist catering contractors have grown over the past decade.

The main advantage of such an approach is that the financial and qualitative outcomes are more predictable without the host organisation having to employ specialists or becoming involved in the very time consuming minutiae of catering. A specialist contractor has the advantage of improved buying power, sector knowledge, the ability to attract skilled expertise, access to investment funding and commercial drive to improve the profitability.

Organisation	Location	Caterer
Pallant House	Chichester	Field & Fork
Towner	Eastbourne	About to tender
De la Warr Pavilion	Bexhill	<i>Internal</i>
Turner Contemporary	Margate	Alfresco
National Gallery	London	Peyton & Byrne
National Portrait Gallery	London	Searcy's
V&A	London	Benugo
Tate	London	<i>Internal</i>
Royal Academy	London	Peyton & Byrne
British Museum	London	Benugo

6. FINANCIAL & OTHER IMPLICATIONS

6.1 Financial Implications

The 2011/12 outturn position across the catering outlets was a net deficit of £16k compared to a budgeted net surplus of £39k, thus a shortfall in funding of £55k.

The budgeted net surplus for 2012/13 is £43k and the forecast outturn position for 2012/13 is also expected to result in a shortfall in funding of approximately £55k should the service continue unchanged.

The recommendations of this report would deliver a significant income stream which would address the funding issue, improve value for money and contribute to the future sustainability of the RPM services. The details are given in Part 2.

Finance Officer Consulted: Anne Silley

Date: 22nd October 2012

6.2 Legal Implications

- 6.2.1 The council's procurement process has been properly applied and, as a result of that exercise, P&B are considered the best qualified supplier, having submitted the most economically advantageous tender. The contract is for an initial period of 5 years, with an option to extend for further 2 years.
- 6.2.2 The transfer of staff currently working at the Royal Pavilion Tearoom will be subject to the Transfer of Undertakings (Protection of Employment) Regulations 2006, the details of which as well as Pension have yet to be finalised, pending the relevant staff consultation and negotiations with the new employer.

Lawyer consulted: Bob Bruce

Date: 22nd October 2012

6.3 Equalities Implications

In framing the tender, care has been taken to ensure that adequate provision is made for special dietary needs related to health and to ideological or religious observance. The contract tendering process required potential service providers to demonstrate that they have policies in place to ensure that staff and customers are treated in such a way as to support their rights in equalities legislation.

The option of providing a second catering outlet in the Royal Pavilion on the ground floor with street access will significantly improve accessibility for visitors. The current first floor tearoom is inaccessible for visitors with mobility difficulties.

6.4 Sustainability Implications

Commercial services at RPM exist to generate income in order to contribute towards the costs of the provision of core services. If the current catering provision for RPM is not addressed to enable it to generate more income and overcome its losses, the service to the public is placed at risk.

The specification and evaluation criteria of the tender included reference to local and sustainable sourcing including food miles, food provenance and the use of seasonal ingredients and food produced using sustainable practices.

6.5 Crime & Disorder Implications

None

6.6 Risk & Opportunity Management Implications

Failure to address current catering provision will jeopardise the service's ability to meet income targets and efficiency savings.

6.7 Corporate / Citywide Implications

The Royal Pavilion & Museums play a vital role in the cultural, learning and economic life of the city, and its visitor offer. Commercial income is essential to the business case for running these services.

7. **EVALUATION OF ANY ALTERNATIVE OPTION(S)**

Options Financial Summary

Please Refer to the Part II Report

8. **REASONS FOR REPORT RECOMMENDATIONS**

Recommendations are made on a financial basis. The Council cannot continue to underwrite what should be a service generating income to enable core museum services to operate. Even with investment, repayment costs would still mean that catering would not achieve income targets. Tendering the business jointly with the BDFL provides opportunity to maximise income and encourage much needed investment into areas of the service that lack investment and are not in keeping with the quality expected from major museums and heritage attractions.