



GOING IN-HOUSE?

A guide to replacing your outsourced food service contractor with an insourced solution





INTRODUCTION

Insourcing is a business strategy whereby an organisation hires employees or creates an in-house team to perform tasks that were previously outsourced to a third party.

Insourcing the provision of catering services to replace an external contractor is becoming more common, and those considering it need to plan and prepare accordingly.

Those returning to insourcing often do so for the following reasons:

- ▶ **A change in the organisation's strategy**
- ▶ **A current outsourcing contract expiring within 12 months**
- ▶ **Failure of existing outsourcing arrangements**
- ▶ **Financial improvements required**
- ▶ **New facilities and requirements emerging**
- ▶ **Consumer dissatisfaction**
- ▶ **Employee dissatisfaction**
- ▶ **A combination of some, or all the above**

The decision to insource, and the perceived benefits of doing so, are expected to address identified problems and bring about qualitative and financial improvements.

TUCO has engaged others with significant experience in helping organisations return to insourced service delivery to assist in the production of this guide.

INTENT - already made the decision or contemplating a change?

Some institutions will have already made the decision to change their catering arrangements, others will be considering it. Whatever the scenario, this guide assumes that the organisation has done all that is necessary to support the decision to adopt an insourcing strategy, including the following key tasks:

- ▶ **Identify the potential costs required to fund the transition to insourcing.**
- ▶ **Identify where the TUPE process will resolve differences between the contractors' terms and conditions and the University's terms and conditions.**
- ▶ **Select a new head of department or project manager for the insourced function.**
- ▶ **Set the target date for insourcing.**
- ▶ **Potentially consider the opportunity to set up a standalone, wholly owned subsidiary to operate the facilities.**

This guide will help you successfully move from a contracted service and sets out the sensible timelines and checklists to do so.

WHAT - type of contract do you have now?

The facts you will need to determine are:

- ▶ **Is it a fully managed outsourced service?**
- ▶ **Are all the people involved in delivering the service employed by the contractor or is it just the management grades?**
- ▶ **Did the outsourced organisation invest any money at the outset? If so, on what terms and what was involved?**
- ▶ **What is the notice period for the contractor? Even with fixed-term contracts, there may be a contractual requirement for you to confirm your intention not to renew by a certain date.**
- ▶ **What restrictions, if any, are there on your ability to employ the contractor's staff once the contract has expired?**
- ▶ **The contractor is likely to be purchasing your supplies to provide your service. Who owns the stock already purchased?**

Depending on the outcome of your assessment of the current type of contract the following matters for consideration will need to be addressed and where appropriate be a part of your planning.

ESTABLISHING - a timetable to take over

You need sufficient time to prepare effectively for taking over the running of your services. The perfect time for you is to mirror the start of your organisation's financial year, ensuring that it is your performance that is measured in the first year, without any legacy from your contractor.

Assuming a start date of 1 August, your initial planning should begin no later than 1 January, and preferably earlier. You will have identified what needs to be done but assume that it will always be more than you anticipated.

EXITING - an existing arrangement

There will be a contract between your organisation and the contractor. This is likely to be for a fixed period or on a rolling basis after an initial period. Both will contain termination and notice clauses. There may be specific deadlines or obligations surrounding a termination or there may be break clauses you can enact to bring things forward.

Once you have made the decision to insource, it is important to review the contract and determine what type of contract you have and what the obligations are for both parties.

SERVING - notice or confirming intentions

When serving notice or confirming intentions, you should consider what might happen between now and the end of the contract.

When serving notice, you should include instructions to your contractor to:

- ▶ **Stop transferring staff to your organisation from elsewhere in their own business without your written consent.**
- ▶ **Cease to commit the organisation in any way to anything for the period after their departure without your written consent.**
- ▶ **Ensure that stock levels for each month of the notice period do not exceed the average monthly value for the previous 6 months.**
- ▶ **Confirm, within 14 days of receiving the notice, who they consider will be transferred under TUPE.**

GIVING NOTICE - communication

Depending on whether you are contractually required to notify your contractor of your intentions and, if so, how long this will take, you may wish to keep your intentions confidential until you need to confirm them.

If you are still planning to start on 1 August, you should formally inform your contractor by the end of April. At this point, you should be able to take over or act alongside your contractor, if necessary, until the official end date.

TUPE will apply, so the existing workforce directly employed by the contractor will have the right to transfer their employment contract. The contractor may wish to retain individuals, but this is the individuals' decision. The contractor's senior managers and department heads will often be enticed to other positions in the contractor's organisation. By confirming your intentions four months before the end of the contract, you will limit upheaval and allow sufficient time for the TUPE process to be completed.

The university's HR department will need to be involved and support the initial decision to return to insourcing and will need to be actively involved with the preparation process and the run-up to the contractor's departure.

RESOURCES - to manage the transition

Resources need to be in place to plan and manage the transition at least 6 months before the insourced team takes over. If available and able, this should include the intended leader of the insourced team. Those to whom the insourced management will report will need to monitor progress and provide access to others in the university who will be required to support an insourced team.



INTERNAL - support provision

You will need to plan how you will take over all the activities – finance, buying, food production, food safety, marketing/branding/promotion, due diligence etc. - that the contractor has been undertaking to enable them to deliver their services. Some of these will be part of the new insourced team's responsibilities and some will need to be absorbed by existing university resources. The key areas are set out below.



Finance reporting, payroll and treasury activities

Your organisation becomes responsible for paying for the goods, services and staff provided by the contractor, who currently consolidates all of these into one invoice.

Options to simplify processes and reduce internal impact should be considered. It is likely that your contractor acted as your agent for VAT purposes and ensured that the appropriate returns were filed. Or they may have reported it to the university's finance department through their invoicing and the university managed it with all their other VAT. It is important to be clear about what happens and what needs to happen when the contractor leaves.

Human resource management

The focus needs to be on ensuring that the insourced team is aware of the university's HR policies and communicates them accurately. Building a new team or managing existing staff to deliver a new plan requires good communication and people management. Feeling part of the university is the most cited positive benefit of those who have moved from a contractor to an insourced team. They need to understand where they fit in.

It is inevitable that there will be differences between the terms and conditions of the contractor and those of the university, and these will have been identified when the decision to insource was made. Effective management of the change process for those involved is essential if the benefits of their sudden sense of belonging are to be built on.

Ensure a complete transfer of holiday records takes place, including any applied for and approved holidays occurring post the contractor departing.

Supply chain engagement and management

Whilst the suppliers may remain the same, the contractor's terms and conditions with the supplier will cease. TUCO could step in immediately and give you access to a compliant procurement framework with suppliers to over 80 other universities along with options for support technology.

Using TUCO removes any possibility of non-compliant procurement activity and the need to vet suppliers, as the framework has been established on behalf of the university members.

Potentially, depending on your current status, you may need to arrange for the transfer or apply for an alcohol licence and transfer or purchase a Performing Rights Licence.

TUCO provide members with regular benchmarking of university selling prices throughout the UK and compared against those on the high street. This information will help you determine what pricing you want to see implemented for the items you will now be responsible for selling.

Branding and Marketing

A key factor in successfully launching a new insourced service is to create something new. New branding and marketing materials will be required. The contractor's branding will go with them and returning customers will want to know what is replacing what they had before.

New food offerings or service styles need to be planned 3 to 6 months in advance.

While service branding and merchandising will be the responsibility of the insourced team, support from the university marketing team will be required.

Consumer Insight

To be successful, you need to know what matters the most to the majority of your consumers. The results of snapshot (or one-dimensional) surveys conducted by contractors (or universities) focus on what consumers feel at the time they are asked a question.

True consumer insight identifies what consumers state is important to them and then asks them how satisfied they are in the same regard.

Knowing what your top ten areas for improvement are (your consumer satisfaction gaps) will give you the foundation on which to build your new intended service.

IT and Software support

Your contractor will have implemented systems to manage the service. The majority of these will have been their own internal systems for reporting activity. You will need to check who is the license holder for systems such as epos or if a P2P has been installed and whether these will remain after the contractors' departure.

Today's modern systems rely on cloud-based storage rather than using existing university network space. If you are to replace existing contractor software with something new you will need the support of the university IT department, to ensure if space is required on an existing network, to house what you want to introduce can be accommodated. Their support will also be required if new hardware is required.

As a TUCO member, you have access to TUCO Online for all supply procurement.



SKILLS - assessment and training

Contractor management will have access to their organisation's training and development resources. The university will have similar resources, but their development courses are unlikely to be suitable for enhancing hospitality and catering skills.

Returning to TUCO for your supply chain management will give you access to the TUCO Academy and its catalogue of catering development training programmes.

NON-CONTRACT - matters

It is likely that since the signing of the contract at the outset, other contractual matters will have surfaced.

The most common areas that need to be considered and addressed are:

- ▶ Has your contractor implemented a customer loyalty scheme? If so, who owns the data?
- ▶ Is the scheme operated by the contractor or is it a third-party application?
- ▶ Can the software licence be transferred, or the data migrated to your own?
- ▶ Are any balances or credits carried forward to a new academic year?
- ▶ Has any supplier service equipment or merchandising units been installed in connection with the contractors' suppliers? If so, can these be transferred if you wish? Ask your contractor to confirm if there are any and, if you don't want them, ensure they remove them and confirm this with the relevant supplier,
- ▶ If the contractor was responsible for maintaining any kitchen kit it would also be prudent to undertake an equipment condition survey. Poor maintenance could leave the university with a large repair bill or compliance risk that it may wish to pass to the outgoing contractor if they have liability. Is all the stock for which you have been charged on the premises? Ask your contractor to confirm this and, if necessary, what stock is held elsewhere.
- ▶ Your contractor will be registered with the local authority as responsible for operating a commercial food business on your premises. This will need to be changed via the local authority website > <https://www.gov.uk/guidance/food-business-registration> to officially register you now being responsible.
- ▶ Is your contractor currently amending any element of their service to meet new or future legislation? If so, you will need to be aware of what has and hasn't been completed and address what is still required.



Basic Functional Responsibilities



Key Benefits of In-House Catering



- Cost Efficiency
- Quality Control
- Operational Flexibility
- Student Satisfaction & Well-Being
- Sustainability & Corporate Responsibility

MORE INFORMATION?

If you'd like more advice, or have any questions about bringing your catering in-house, you can contact **TUCO CEO Mike Haslin** on **mike.haslin@tuco.ac.uk**

To find out more about the benefits of being a **TUCO member**, visit **www.tuco.ac.uk**



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