

CF: Can I have the covering minute that came with B please?

20/12
19/12

PRIME MINISTER

REVIEW OF CIVIL SERVICE CATERING

Barney Hayhoe seeks your agreement to a statement on the Review of Civil Service Catering.

The main proposals he wants to announce are:-

- (i) A simplified subsidy system, which would make it easier for outside contractors to compete;
- (ii) conversion of CISCO into a trading fund;
- (iii) additional investment in catering equipment and premises of £1.65 million per year for five years.

No increase is proposed in the direct subsidy to Civil Service catering.

These proposals are very much in line with the views you expressed earlier. Sir Robin Ibbs welcomes them (see his note at A). He also suggests that to keep up the pressure on Departments you should ask Mr. Hayhoe to agree individual targets for implementing the proposals, and monitor them on your behalf.

There is bound to be some criticism that the £1.65 million annual addition to investment is an inadequate response to the Government's undertaking to make further money available for Civil Service catering. Mr. Hayhoe believes, however, that the response is defensible and that it would be unrealistic to promise more.

/Agree:-

Agree:-

- (i) terms of draft statement at B;
- (ii) ask Mr. Hayhoe to agree Departmental targets,
as suggested by Sir Robin Ibbs. ✓

DMB

Yes ms

16 December 1983

UCNO



PRIME MINISTER

REVIEW OF CIVIL SERVICE CATERING

The Private Secretary to the Minister of State, HM Treasury, wrote to your Private Secretary on 9 December about the follow up to the scrutiny done with the assistance of the head of catering at Marks & Spencer.

2. I welcome the Minister's proposals and I consider they provide a good framework for the future. They should enable departments to improve the value for money of their catering services and to make more use of the private sector. Making the Civil Service Catering Organisation a Trading Fund should also signal clearly that in-house provision must be business-like too.

3. Putting the new policies into practice is rightly a matter for departments: they are best placed to judge how to use the catering resources to meet the needs of their operations. However although the proposals would enable departments to improve the value obtained from their catering funds, they do not in themselves force them to do so. They need to be accompanied by clear targets for achievement. You might ask the Minister of State to agree with departments their targets year by year - particularly for introducing competition and for increasing usage - and to monitor achievement against them on your behalf.

4. I am copying this minute to Barney Hayhoe, Lord Gowrie and Sir Robert Armstrong.

Robin Ibbs

pp

Robin Ibbs

14 December 1983

(Approved by Sir Robin and signed in his absence.)

Gov Machinery
Rayner Pt 14.



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CONDUCENT

11



10 DOWNING STREET

From the Private Secretary

19 December 1983

Review of Civil Service Catering

Thank you for your letter of 9 December with which you enclosed a draft statement on the review of Civil Service catering.

The Prime Minister is content with the terms of the draft statement, and agrees that it should be issued before the Recess. The Prime Minister would also be grateful if your Minister of State could agree individual targets with Departments for implementation of the new policies, and then monitor their achievement, as proposed in paragraph 3 of Sir Robin Ibbs' minute to her of 14 December.

I am sending copies of this letter to Mary Brown (Lord Gowrie's Office), Richard Hatfield (Cabinet Office) and Ian Beesley (Efficiency Unit).

David Barclay

Mike Corcoran, Esq.,
Mr. Hayhoe's Office.

HL

cc NS, PCO
CO
EU

MR



Treasury Chambers, Parliament Street, SWIP 3AG

David Barclay Esq
10 Downing Street
LONDON SW1

9 December 1983

David Barclay

REVIEW OF CIVIL SERVICE CATERING

... The review of the major issues raised in the scrutiny report on Civil Service catering has been completed. My Minister of State proposes to issue the attached statement, by way of an Answer to a PQ, before the Recess.

The main developments to be announced are the introduction of a simplified subsidy system (among other things, this will open the way for outside contractors to compete for business); the conversion of the Civil Service Catering Organisation into a Trading Fund; and the launching of a five-year programme aimed at improving catering equipment and premises at an additional cost of £1.65m a year (there is PES provision).

see PB
X1
The money to be spent on improving facilities is in line with the Prime Minister's view that more investment in equipment is needed - Timothy Flesher's letter of 29 December 1982. The Prime Minister also mentioned managerial training: the change to a Trading Fund, increased competition, and the disciplines imposed by the new subsidy system should all contribute to this.

The new subsidy system (described at Annex 'A') is far simpler than the existing arrangements, which the Prime Minister regarded as being complicated. The important point is that the new system puts contractors on an equal footing with CISCO.

It is not proposed to increase the direct subsidy on Civil Service catering. That will, of course, be unwelcome news for the staff generally, but it would be unrealistic to promise more money when none is available. The Minister of State believes that the investment programme of £1.65m a year for five years can be said to meet the undertaking in the statement of 1 February that the Government is prepared to make further money available in support of Civil Service catering.

The programme of pilot projects, testing alternative catering strategies, will continue until all have been completed. The results will then be evaluated to see whether any of the strategies are worth adopting more widely.

Once the statement has been issued, discussions will be held with departments on the operation of the new subsidy system. The aim will be to move CISCO to a Trading Fund as soon as practicable next year.

The proposals are acceptable to the Minister of State, Privy Council Office, and to the Head of the Efficiency Unit, who have been consulted throughout.

I am copying this to Mary Brown, to Private Secretaries to Ministers in charge of Departments, to Richard Hatfield (Cabinet Office), and to Ian Beesley; and I should be grateful for comments by next Friday, 16 December.

Jane Sweeney
Michael Bon

M E CORCORAN
Private Secretary

DRAFT



GOVERNMENT STATEMENT ON THE REVIEW OF CIVIL SERVICE CATERING

Following the Report of the Scrutiny team which examined Civil Service Catering, the Government said on 1 February last that it intended to review the major issues raised by the Report in relation to the future role of the Civil Service Catering Organisation (CISCO), the scope for using more outside contractors and the subsidy arrangements. This review has now been carried out.

The Government's conclusion is that the responsibility for the provision of catering for the Civil Service is primarily that for Departments, who must themselves meet the costs involved. In carrying out their responsibilities, Departments will rely on CISCO to provide advice and guidance on all aspects of catering.

Catering services will be open to competition. CISCO will provide such services where Departments wish to use them, but Departments will also be able to use contractors from outside the Civil Service, as indeed happens in a few cases at present. It is the intention that contractors and CISCO should compete for Departmental catering work on an equal footing.

Many Civil Service restaurants are currently run by Departmental Committees. As opportunity arises, Departments will be able to move to a more professional style of management, involving the use of CISCO or of outside contractors as they may choose.

CISCO will continue to charge Departments for services rendered in respect of advice, and, where appropriate, for the actual provision of catering services. Plant and equipment required in the provision of catering services will normally be provided by the Department, whether for the use of CISCO or of a private contractor, as will accommodation, light and heat and cleaning.

In the interests of encouraging efficiency and accountability, it is proposed that CISCO should be established as a Trading Fund under the Government Trading Funds Act 1973. The Trading Fund will be set an appropriate financial target reflecting its own costs and income, plus other suitable non-financial indicators of performance.

The Scrutiny Report criticised the present subsidy arrangements as over-complicated. A new and simpler basis is proposed. An annual global sum will be determined based on the current level of subsidy and its current apportionment to Departments, which will be used by CISCO to prepare a framework tariff related to specifications of quality and quantity. The organisation providing the catering (whether CISCO, a Departmental Committee or a private contractor) will be paid by the Department for providing such a tariff on the basis of fixed price quotations settled in advance each financial year. Departments will have discretion, subject to normal Treasury financial controls, to vary the standard of service or tariff so determined, provided it is prepared to meet any additional costs involved.

In the statement of 1 February the Government said that up to £1 million in total would be made available to carry out and evaluate an overall programme of pilot projects looking at alternative ways of providing catering within the Civil Service. This programme is under-way, and the results of the projects will be evaluated when each has run its course.

The statement of 1 February said that the Government accepted that more money needs to be spent on improving the provision of meals to its employees. In view of the criticisms in the Scrutiny Report of substandard facilities in some areas of Government catering, the Government therefore propose to provide a further sum of £1.65 million per annum over the five years beginning in 1984-85 in support of a special programme for the enhancement of catering facilities in Departments. Taken with increased departmental flexibility, the Government believes that this will improve accessibility and lead to greater usage by civil servants of the facilities provided.

CIVIL SERVICE CATERING: NEW SYSTEM OF DIRECT SUBSIDYIntroduction

1. This paper covers the main points of proposed arrangements for a new direct subsidy system which would apply whether the caterer was CISCO, a departmental committee, or an outside contractor.

Key features of the proposed system

2. (i) The direct subsidy would be a global sum determined by the Government in relation to a particular time, eg 1 April. The figure would not, in practice, be an absolute control total, because it could be overtaken by such events as an increase in customer uptake of the catering service. CISCO would prepare a framework of tariff prices, based on this subsidy and related to specifications of quality and quantity, for the cost of provision of a mid-day meal in normal circumstances. The framework would cover the supply of all food items from any Civil Service catering outlet provider. Departments would pay to the provider their share of the subsidy for services to staff at the tariff prices.
- (ii) All catering services would be open to competition. CISCO, committees and contractors would respond to a tender invitation by quoting a net cost for the services required, supported by such detail as would be necessary to validate the quotations. Departments would evaluate the tenders by reference to alternative tenders or to previous figures, and would pay the subsidy to the provider on the basis of fixed price quotations, settled in advance for each financial year.

- (iii) Increases in food costs would be apportioned on a revised tariff between Government and customer. Increases in other costs would be reflected in the annual fixed price quotations.

- (iv) It would be for departments to determine, guided by a centrally agreed Scale of Provision, the extent to which they could fund staff catering. If a new service was required, whether for normal circumstances (perhaps in a new office) or as a special service (say, to cover 7 days a week in a remote location, for operational reasons) the department would decide (as it does at present) from the caterer's cost information whether the extra funding, for which it would be responsible, could be justified. Such additional cost would normally have to be met by savings made elsewhere in the department, but this must be subject to any wider public expenditure considerations prevailing at the time. A department might wish to offer restaurant prices or specifications different from the framework tariff; that would also be a decision to be taken after consulting CISCO, and in the light of departmental and general public expenditure, operational and welfare considerations.

Conclusion

- 3. The overall effect of the new system would be to:
 - (i) Allow the most cost effective staff catering facilities to be provided, according to the departmental funds available and the operational requirements.

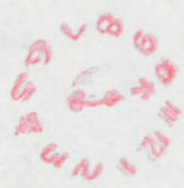
 - (ii) Provide a general subsidy based on standards applied equitably across the service.

- (iii) Ensure that contractors are treated equally with in-house suppliers.
- (iv) Continue to enable departments to exercise discretion in the provision of catering services with fore-knowledge of annual costs.
- (v) Initially involve no additional cost over current levels; if changes in the amount of subsidy were agreed the system could accommodate them without difficulty.

4. It would take some time to prepare the specifications and tariff and to calculate quotations for all departmental catering services. During 1984 CISCO would take the opportunity to dry run the system as far as possible. Departments would need to include amounts based on the new system in Estimates for the start of a new financial year, and some PES transfers would be necessary. Departments would be encouraged to explore the benefits of competition as soon as possible after the decision in principle on the system was given.

Govt. MATH

Number 14



22 DEC 1985



Treasury Chambers, Parliament Street, SW1P 3AG

B P Neale Esq
Private Secretary to the
Secretary of State for Defence
Main Building
Whitehall
SW1A 2HB

21 December 1983

*nb pm
Dus
22/12*

Dear Barry

REVIEW OF CIVIL SERVICE CATERING

My Minister of State is very grateful for the comments received on the draft statement on catering, and for the cooperation of Departments in dealing with this quickly and at short notice.

The amendments which you and others put forward have been incorporated in the attached revised statement which the Minister of State will be making by way of an Answer to a PQ before the House rises tomorrow. A copy of the statement will be sent to Principal Establishment Officers for circulation to all members of staff. The unions will be given a copy of the statement once it has been made.

In writing to PEOs, we will be letting them have background notes for management, and a copy of a detailed note which will then be discussed with Departmental Nominated Officers (DNOs). Departments have already raised a number of points of detail on how the new arrangements will operate, and we are anxious to follow these up as quickly as we can. Treasury and CISCO officials will, therefore, be in touch with individual DNOs early in the New Year.

In your letter, you commented that the £1.65m pa for the improvement programme should be spent as intended and that other funds earmarked for catering are not diverted to other uses. We share your view on this and it will be discussed further at the meetings with DNOs and with PSA. I should explain that £150,000 pa of the money will be devoted to providing a catering service where none exists at present.

✓ In their discussions, Treasury officials will be following up the Prime Minister's view that annual targets should be agreed with each Department for implementation of the new policies. Treasury will then be responsible for monitoring achievement against the individual targets.

I am copying this to David Barclay, to Mary Brown, to Private Secretaries to Ministers in charge of Departments, to Richard Hatfield (Cabinet Office), and to Ian Beesley.

Yours

Michael Corcoran

M E CORCORAN

Draft PQ for Written Answer

Q To ask the Chancellor of the Exchequer if the review of major issues considered by the Scrutiny of Civil Service Catering has been completed and, if so, will he make a statement?

A Following the report of the Scrutiny team which examined Civil Service Catering, the Government said on 1 February last that it intended to review the major issues raised by the Report in relation to the future role of the Civil Service Catering Organisation (CISCO), the scope for using more outside contractors and the subsidy arrangements. This review has now been carried out.

The Government's conclusion is that the responsibility for the provision of catering for the Civil Service is primarily that for Departments, who must themselves meet the costs involved. CISCO will retain central control to enable consistency of standards to be achieved across the whole range of Civil Service catering facilities. In carrying out their responsibilities Departments will normally rely on CISCO to provide advice and guidance on all aspects of catering.

Catering services will be open to competition. CISCO will provide such services where Departments wish to use them, but Departments will also be able to use contractors from outside the Civil Service, as indeed happens in a few cases at present. It is the intention that contractors and CISCO should compete for Departmental catering work on an equal footing.

Many Civil Service restaurants are currently run by Departmental Committees. As opportunity arises, Departments will be able to move to a more professional style of management, involving the use of CISCO or of outside contractors, as they may choose.

Draft PQ for Written Answer continued

CISCO will continue to charge Departments for services rendered in respect of advice and, where appropriate, for the actual provision of catering services. Plant and equipment required in the provision of catering services will normally be provided by the Department, whether for the use of CISCO or of a private contractor, as will accommodation, light and heat and cleaning.

In the interests of encouraging efficiency and accountability, it is proposed that CISCO should be established as a Trading Fund under the Government Trading Funds Act 1973. The Trading Fund will be set an appropriate financial target reflecting its own costs and income, plus other suitable non-financial indicators of performance.

The Scrutiny Report criticised the present subsidy arrangements as over-complicated. A new and simpler basis is proposed. An annual global sum will be determined based on the current level of subsidy. CISCO will prepare a framework tariff calculated on the basis of the global sum which is available and that tariff will be related to specifications of quality and quantity. The organisation providing the catering (whether CISCO, a Departmental Committee or a private contractor) will, where necessary, be paid by the Department for providing such a tariff on the basis of fixed price quotations settled in advance each financial year. Departments will have discretion, subject to normal Treasury financial controls, to vary the standard of service or tariff so determined. Where an enhanced service is provided it will be necessary for the Department to meet any additional costs involved.

In the statement of 1 February the Government said that up to £1 million in total would be made available to carry out and evaluate an overall programme of pilot projects looking at alternative ways of providing catering within the Civil Service. This programme is under way, and the results of the projects will be evaluated when each has run its course.

Continued

The statement of 1 February said that the Government accepted that more money needed to be spent on improving the provision of meals to its employees. In view of the criticisms in the Scrutiny Report of substandard facilities in some areas of Government catering, the Government therefore propose to provide a further sum of £1.65 million per annum over the five years beginning in 1984-85 in support of a special programme for the enhancement of catering facilities in Departments. Taken with increased departmental flexibility, the Government believes that this will improve accessibility and lead to greater usage by civil servants of the facilities provided.

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JU243A

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5422

GTN 215)

(Switchboard) 215 7877

19 December 1983

M E Corcoran Esq
Private Secretary to the
Minister of State
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

Dear Michael

REVIEW OF CIVIL SERVICE CATERING

Thank you for copying to me your letter of 9 December to David Barclay. *with DB*

It would be helpful to give Ministers advance notice of the date of the PQ, when fixed, so that arrangements can be made to inform staff of the statement immediately it is made.

I am copying this letter to the recipients of yours.

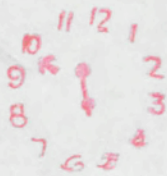
*Yours ever
Steve*

STEPHEN NICKLEN
Private Secretary

*nbpm
DMS
19/12*

Govt Mach.
Payner,
12/14

19 DEC 1983



Govt Mach: Paynel

cc ~~NO~~

nbpm
19/12



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~830-7932~~ 218 6169

MO 2/2/6

16th December 1983

Dear Michael,

REVIEW OF CIVIL SERVICE CATERING

You wrote on 9th December to David Barclay enclosing a draft Government statement on the Civil Service Catering review.

I have to record that this Department were somewhat surprised to find that, after a review lasting nearly a year, a draft statement should be prepared and circulated to Ministers at such short notice without discussions first taking place between Departments at Official level. I understand however that our officials have now had an opportunity to discuss the whole matter, and we have been provided with additional information.

We are in agreement with the main conclusions. We welcome the introduction of competition into the provision of Civil Service catering - but we reserve our position on whether we would rely on CISCO as the sole source for advice and guidance. To cover this point, and to bring out the role of CISCO as a central control authority, we propose that the second sentence of paragraph 2 be replaced by:

"CISCO will retain central control to enable consistency of catering standards to be achieved across the whole range of Civil Service catering facilities. In carrying out their responsibilities Departments will normally rely on CISCO to provide advice and guidance on all aspects of catering".

We also welcome the move towards a simpler subsidy system. Could I suggest that paragraph 7 should be amended from line 4 as follows:

".....apportionment to Departments. CISCO will prepare a framework tariff calculated on the basis of the global sum which is available and that tariff will be related to specifications of quality and quantity. The organisation providing the catering (whether CISCO, a Departmental Committee or a private contractor) will where necessary be subsidised by the Department for providing such a tariff....so determined. Where an enhanced service is provided it will be necessary for the Department to meet any additional costs involved".

M E Corcoran Esq



I understand that these amendments are acceptable to Treasury officials.

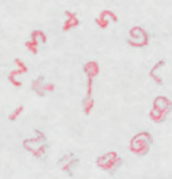
The conclusions or recommendations of the Scrutiny Report were aimed at improving the accessibility and usage of Civil Service catering facilities. The Statement now makes it clear that responsibility for the financing of catering will rest with Departments. There is thus a risk that catering will be competing for funds with defence operational requirements which could well lead to a curtailment in accessibility and usage. Indeed it is already such competition which led the Scrutiny team to recommend that funds for improvements to restaurants should be allocated and controlled quite separately from other works service monies. When discussing the new arrangements following the issue of the Statement, officials will need to ensure that the £1.65m pa to be spent on improving staff restaurants is spent as intended, and that other funds currently earmarked for catering are not diverted to other uses.

Copies of this letter go to the recipients of yours.

*Yours sincerely,
Barry Neale*

(B P NEALE)
Private Secretary

GOVT. MAIL; Raynes # 116



APR 15 1903



Foreign and Commonwealth Office

London SW1A 2AH

*nbpm
Sub
16/12*

16 December 1983

Dear Corcoran

Review of Civil Service Catering

TAM
Thank you for sending me a copy of your letter of 9 December to David Barclay.

We accept the logic of the devolution of responsibility for catering to Departments but are concerned about the financial implications. The lesson of Property Repayment Services (PRS) is that Departments must be fully consulted about such changes, particularly as regards the apportionment of PES transfers. These can often prove inadequate. We wonder whether an investment programme of £1.65 million a year for five years will be enough to provide Departments with going concerns from the outset. The modest basement canteen in the main FCO building, for example, is already in need of new kitchen equipment and our plans for a replacement on a top floor in 1989/90 will require comparatively large sums.

As to the level of subsidy, the scrutiny report indicated that Civil Service catering was substantially less subsidised than that of other major employers. The Unions will expect us to put sufficient money into a service that so directly affects staff and which, as the report recognised, is important for both morale and efficiency.

We accept that you should proceed on the understanding that there will be full discussions with ourselves and other interested departments before the new system is put into practice.

I am copying this letter to the recipients of yours.

G. J. P. Fall
[Signature]

(B J P Fall)
Private Secretary

M E Corcoran Esq
Private Secretary to Minister of State
HM Treasury

Sar. Mack,
Rayner Pt. 14