



Imperial College Union Board of Trustees

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AGENDA ITEM NO.	14
TITLE	Commercial Services update
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EXECUTIVE SUMMARY	<p>There has been a challenging balance to achieve with keeping services functioning whilst putting in place necessary foundations, all with a significantly depleted staff team.</p> <p>A recent audit by KPMG has shown that despite appropriate control procedures being in place, these are not being consistently followed.</p> <p>The paper sets out the steps that should be in place, current progress towards these as well as timelines for completion.</p> <p>Finally there are recommendations for ensuring that the appropriate practices are being followed.</p>
PURPOSE	To inform Board of the challenges within Commercial Services, the measures already taken and recommendations for future actions.
DECISION/ACTION REQUIRED	Board to consider and approve the recommendations

Commercial Services Update

The Commercial Services have experienced a number of challenges over the past year, largely due to a lack of operational foundations, standardised processes and efficiency measures. This has limited our ability to adapt to the changing commercial environment with sufficient vigour, as outlined in the Commercial Strategy, and poses a serious risk to our operations if it is not correctly addressed.

Since it is not feasible to shut the Commercial Services whilst these foundations are put in place, additional resources and assistance from other directorates will be required in the short term.

Initial Audit Findings

The recent KPMG internal visit focused on 3 areas namely Cash Handling, Business Planning and Business Cases. The approach this year was to not only explore key control areas but also to consider areas which are still being developed, giving the opportunity for KPMG to provide a value-added report.

While areas of good practice were identified a number of significant weaknesses were highlighted. The draft report provides 10 recommendations, 1 high priority, 4 medium and 5 low. Recent staff turnover in Bars & Catering has impacted the control environment and organisational culture. Our own investigations have uncovered that GP margins are under challenge, there are a number of processing weaknesses, cash reconciliations are not fully complete and there are some stock control issues.

The KPMG visit confirmed that good control procedures are in place, but they are not being followed. It is essential that established control procedures are followed at all times and by all personnel. A culture of zero-tolerance approach to non-compliance with control measures will be embedded across the Commercial Services teams and the wider Union.

The draft report has only recently been received however some steps have already been taken to improve the control environment. The high priority recommendation has already been implemented in full.

Significant analysis has been carried out with regard to wastage, voided and Yoyo transactions. There are no solid conclusions from this yet and more analysis remains to be carried out.

A full review will be taken to the next Finance and Risk Committee.

Where has the Commercial Services' focus been?

The ongoing challenge for Commercial Services has been to balance the ability to move forward, given the lack of foundations and staff, with the risk of not moving forward at all. Despite these challenges, since January 2018 Commercial Services has managed to:

- Formulate a Vision
- Write a 5 year strategy
- Put together a set of Standard Operational Procedures
- Trial a new breakfast offering in FiveSixEight
- Keep the outlets open every day
- Rewrite job specs and restructure the Service
- Focus on the recruitment of high quality permanent staff to drive the Service forward
- Redesign Shop Extra and install coffee and Food to Go, adding an extra £2500-£3000/week to revenue during peak periods
- Deliver an ongoing programme of Business Support training to the entire CS team

What should be in place?

The following lists the areas that have been identified as needing to be in place. It uses a **RED**, **AMBER**, **GREEN** scale to show progress against each area. This should be used alongside the added detail in the table below to show the level of priority / risk for each area.

1. Staff Handbooks (**RED**) and Outlet Operational Manuals (**AMBER**)
 - Rules / regs / info
2. Procurement Processes
 - VFM checks (**AMBER**)
 - Approved / preferred suppliers (**AMBER**)
 - Catering picking lists (**GREEN**)
 - Purchase orders:
 - Catering (**RED**)
 - Bars (**AMBER**)
 - Retail (**GREEN**)
 - EPOS ordering where possible (**RED**)
 - TUCO (**AMBER**)
3. Stock Control
 - EPOS fully utilised:
 - Catering (**RED**)
 - Bars (**AMBER**)
 - Retail (**AMBER**)
 - Separate stores set-up:
 - Bars & Catering – Excl. h bar (**AMBER**)
 - Retail (**GREEN**)
 - H bar (**RED**)
 - Recipe spec cards and methods (**GREEN**)
 - Portion control (**AMBER**)
 - Line checks (**AMBER**)
 - Transfers (**AMBER**)

- Wastage:
 - Catering (RED)
 - Bars (RED)
 - Retail (GREEN)
 - Rotation (AMBER)
 - Deliveries checked (GREEN)
 - External stocktakes (GREEN)
4. Health & Safety
- Monthly audits (AMBER)
 - Independent audits (GREEN)
 - Spot checks / observation (AMBER)
 - HACCP due diligence (AMBER)
 - Refresher training schedule (RED)
5. Standard Operational Procedures (AMBER)
- New Supplier Set Up
 - Ordering Goods For Resale
 - Receipt of Goods
 - Wastage
 - Stocktaking
 - Cashing-up & Cash Discrepancies
 - Ordering Change
 - Refunds
 - Transfer Of Goods Between Outlets
 - Voids & Over-rings
 - Annual Supplier Review
 - Retail Online – Return Of Goods
 - Retail Web Sales
6. Financial Controls
- Financial regulations (RED)
 - Matching of financial documents before payment (RED)
 - Management accounts (RED)
 - Monitoring against budget and variance reporting (AMBER)
 - Outlet cash and float checks by Finance (RED)
 - Contracts held centrally (RED)
7. Equipment
- Audit of Fixed Asset Register (AMBER)
 - Equipment audit and working order status (AMBER)
 - Maintenance and preventative maintenance contracts (AMBER)
 - Current vs future requirement (AMBER)
 - Inventories
 - Catering store room (GREEN)
 - Commercial kitchens (AMBER)
 - Beit Venues store room (AMBER)
8. Staffing
- Structure (GREEN)

- Recruitment (RED)
- Culture (RED)
- Deployment
 - Mobile and transient (RED)
 - Right people, right place, right time (RED)
- Skills and training (AMBER)
- Morale (AMBER)

9. Customer Charters

- In place and standardised across the Service (RED)

10. Quality Assurance & Quality Control (AMBER)

- Clearly defined
- Constant testing and improvement
- Fully embedded

What has been achieved so far?

<i>Category</i>	<i>Status</i>	<i>Priority</i>	<i>Resource Required</i>	<i>Timescale</i>
Staff Handbook	Not started	Low	Ops Mgr & Retail Mgr	Before Welcome 2019
Operations Manuals	Mostly complete	Low	Ops Mgr	End May 2019
Procurement Processes:				
• VFM checks	Completed / ongoing	Medium	Temp Admin Asst	Ongoing
• Approved / Preferred suppliers	Partially in place	Medium	Finance Team & Temp Admin Asst	Start May 2019 / ongoing (dependent on TUCO)
• Catering picking lists	Completed / ongoing (new menu)	High	Temp Admin Asst	Ongoing / August 2019 for new menu
• Purchase orders	Partially in place	High	Temp Admin Asst Finance Team Outlet Teams	Before Welcome 2019
• EPOS ordering	Not started	Medium	Systems Team Ops Mgr & Retail Mgr Finance Team Outlet Teams Temp Admin Asst	By Jan 2020
• TUCO	Completed	High	Temp Admin Asst	n/a
○ Annualised data	Not started	High	HoCS	May 2019
○ Membership	Not started	High	HoCS	Start negotiations May 2019
○ Frameworks set-up	Not started	High	Ops Mgr Retail Manager	

<p>Stock Control:</p> <ul style="list-style-type: none"> EPOS – food added 	Not started	High	HoCS Ops Mgr Systems Team Temp Admin Asst	By 1 st September 2019
<ul style="list-style-type: none"> Separate stores set up 	Not started	Medium	Systems Team Finance Team Ops Mgr HoCS	By start 2021
<ul style="list-style-type: none"> Recipe specs and methods 	Completed / ongoing	High	Temp Admin Asst Chefs	By mid-August 2019 for new menu / ongoing
<ul style="list-style-type: none"> Portion control – spot checks 	Not started	Low	Ops Mgr Head Chef Outlet Mgr	Ongoing
<ul style="list-style-type: none"> Line checks 	Partially in place	High	Ops Mgr Retail Mgr Outlet Teams	Ongoing
<ul style="list-style-type: none"> Rotation 	In place	High	Outlet Teams	Ongoing
<ul style="list-style-type: none"> Wastage – monitoring 	In place but not embedded	High	Ops Mgr Retail Mgr Finance Team	Ongoing
<ul style="list-style-type: none"> Deliveries checked 	In place	High	Outlet Teams	Ongoing
<ul style="list-style-type: none"> External stocktakes 	In place	High	Outlet Mgrs	Ongoing
<p>Health & Safety:</p> <ul style="list-style-type: none"> Monthly food hygiene audits 	Not embedded	High	Ops Mgr	On a consistent basis from April 2019
	In place	High	Retail Mgr	Ongoing
<ul style="list-style-type: none"> Independent food hygiene audits 	In place	High	Ops Mgr	At least annually
<ul style="list-style-type: none"> Spot checks / observation 	Not fully embedded	High	All staff	Ongoing
<ul style="list-style-type: none"> HACCP due diligence 	In place	High	Ops Mgr Kitchen Team Outlet Mgrs	Ongoing

<ul style="list-style-type: none"> • Refresher training schedule 	Partially in place	High	Retail Mgr Ops Mgr Retail Mgr	Schedule completed before Welcome 2019
<p>SOPs:</p> <ul style="list-style-type: none"> • To be updated • Training rolled out to new staff / refresher training 	In place but need updating and not embedded	High	Ops Mgr Retail Mgr Finance Team F&R Committee	By 12 th June in time for F&R on 19 th June
	Refresher training not yet started	High	Ops Mgr	By Welcome 2019
<p>Financial Controls:</p> <ul style="list-style-type: none"> • Financial regulations • Matching of financial documents before payment • Management Accounts • Monitoring against budget and variance reporting • Outlet cash and float checks by Finance • Contracts held centrally by Finance 	In place but need updating	High	Finance Team	December 2019
	Partially in place	High	Finance Team Ops Mgr Retail Mgr Temp Admin Asst	May 2019
	In place but inaccurate for some areas	High	Finance Team HoCS Ops Mgr	Ongoing
	In place	High	Finance Team Budget Holders	Ongoing
	Not in place	High	Finance Team	Started April 2019 / ongoing
	Not in place	High	Finance Team	May 2019
<p>Equipment:</p> <ul style="list-style-type: none"> • Audit of Fixed Asset Register • Equipment audit and working order status • Preventative maintenance contracts 	Not in place	Medium	Finance Team Ops Mgr Retail Mgr	By Jan 2020
	Not started	Medium	External contractor Ops Mgr Retail Mgr	By Mar 2020
	Not started	Medium	Ops Mgr Retail Mgr	By start 2021

<ul style="list-style-type: none"> Inventories 	Partially in place	Medium	Ops Mgr	By Jan 2020
Staffing: <ul style="list-style-type: none"> (re)Structure Recruitment Culture and morale Effective deployment Skills and training schedule 	Completed	High	HoCS Ops Mgr	Ongoing
	Ongoing	High	MD HoCS Staff at all levels	Ongoing
	Partially in place	High	Ops Mgr Outlet Mgrs	Throughout 19/20
	Mostly in place	High	Ops Mgr Retail Mgr	Ongoing
Customer charters: <ul style="list-style-type: none"> Training Charters 	Not started	Medium	HoCS	Jan 2020
	Not started	Medium	Entire CS Team	By Mar 2020
QA and QC: <ul style="list-style-type: none"> Training Refresher training for new & existing staff 	Completed	Medium	HoCS	Jul / Aug 2019
	Not started	Medium	HoCS	Jul / Aug 2019

Recommendations

The two immediate priorities requiring extra resource are:

- EPOS to be fully utilised:
 - Staff training for key personnel
 - Standardised input decided
 - Sense check all products / recipes / sub recipes / quantities / RPs / CPs / Supplier set-up / etc
 - Add food onto the system
 - Separate stores set-up
 - Back office function controlled centrally
 - EPOS ordering set up
 - Ongoing maintenance of system

Needed:

- Systems Team assistance (training to be provided by Orbis Tech)
- CS Administrator (2b £28k plus on costs)
- £3,000 (approx 5 days Orbis training)

- Financial controls:

- Ensure checks and balances – systems are supposedly in place but are not checked (e.g. procurement, cash checks, etc)
- Sort out the management accounts
- Update the Finance Regs
- Approved / Preferred suppliers defined (principle of 'TUCO first')
- Fixed Asset register audit
- Hold contracts centrally

Needed:

- Finance Team assistance
- Possible short term help from College
- CS Administrator

It is further recommended that the Commercial Services add an extra member of personnel to its team on a permanent basis – an Administration Assistant.

The main duties of this role would be:

- Deal with all EPOS admin (e.g. goods receipting, stock adjustments, transfer checks, retail price changes, etc)
- Report variances in stock / anomalies
- Assist Finance with matching of documents for payment
- Chase all credit notes / deal with discrepancies
- Conduct routine VFM checks
- Ensure all allergens matrices are up to date
- Maintain catering spec cards and recipes
- Conduct spot checks on picking lists
- Maintain central control over EPOS, CS inventories, CS equipment admin

The remainder of the outstanding work outlined above will be completed systematically upon recruitment of the seven outstanding positions within the Commercial Structure:

- Retail Manager – interviews 26th and 29th of April
- Venues Manager – ad is out
- Head Chef – ad imminent
- Bar Supervisor - ad imminent
- Assistant Venue Manager – offer made, awaiting outcome
- General Catering Assistant – offer made, awaiting references
- Deputy Venues Manager – awaiting outcome of Venues Manager recruitment (this role is vacant as the employee in this role is currently acting as the interim Venues Manager)

Given the uncertain nature of the recruitment process, the timescales outlined above may need to be adapted.

Whilst the staffing has largely been identified as **RED** above, there is no temporary quick fix. Any temp would need to be brought up to speed with all projects / ways of working / issues. This would take time and would require a level of commitment and accountability which may be missing. Therefore, it is recommended that resource is channelled into permanent recruitment and hiring the best possible candidates for the roles.