



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

by

**New Zealand Council of Trade unions
Te Kauae Kaimahi**

Submission on

**Auckland Metro Food Services: Auckland,
Counties Manukau, Waitemata
Business Case: Consultation**

Health Benefits Limited

14 November 2014

Executive Summary and Recommendations

1. The CTU oppose the proposal to outsource food services at Auckland, Waitemata and Counties Manukau DHBs (the 3 Auckland Metro DHBs).
2. We believe a program of incremental changes will deliver similar savings and efficiencies to a more radical change programme without causing disruption to services, risk food quality and standards, undermine employment conditions and decent work, and maintain infrastructure within the sector.
3. We support proposals which promote dissemination of best practice initiatives across the 3 Auckland Metro DHBs. We support the implementation of national food standards and procurement processes, stronger accountability mechanisms and monitoring of contract arrangements.

Consultation process

4. All processes undertaken by HBL must be open, accountable and transparent. Unions have not been satisfied by the conflicting communications and the lack of transparency, access to information, or adherence to the Change and Communications Framework. The consultation process must be genuine and unions must have access to all available information including decision-making and evaluative processes.

Employment

5. Any proposal must include:
 - a. protection of terms and conditions of current collective employment agreements and the employment protection processes of workers covered by Part 6A of the Employment Relations Act 2000 and the Code of Good Faith for Public Health Sector
 - b. a commitment to maintaining good pay and employment conditions such as regular work hours and job security as a key criterion
 - c. a commitment by DHBs to finding appropriate and meaningful work opportunities and redeployment for affected workers as a key criterion
 - d. a commitment to patient safety and to ensure that quality of care and delivery of services are not adversely affected in pursuit of cost savings. The proposal should also have aspirational aims for improving health outcomes
 - e. a commitment to health and safety of workers and access to training and upskilling for workers and that this will be a key criterion of any provider contract
 - f. an assessment of the impact of potential changes on job losses and loss of trade for small and medium sized businesses in smaller communities, and
 - g. a consideration of the long-term sustainability of the delivery of food services for various scenarios (including contract exit by the provider or termination of contract) must be a key criterion.
6. In-house food services should be retained by Auckland DHB and current outsourced food services at Waitemata and Counties Manukau DHBs bought back in-house.
7. DHBs and Compass must provide information on who will meet redundancy costs and information on implementation.
8. Unions, DHBs and Compass must engage in early discussions to develop an agreed process to identify suitable redeployment opportunities and redundancy support. To

progress these discussions, representatives from each of these parties should establish an advisory group tasked with monitoring and providing oversight of employment relations, work conditions and job impact for the duration of any contract.

9. Compass must provide information on the employment impact if it will be the service provider.
10. Any contract for the delivery of food services must include KPIs on good employer obligations and penalties for non-compliance e.g. maintaining good employment terms and conditions including pay, hours of work, job security, redeployment, redundancy, access to training and ensuring the health and safety of workers.
11. The proposal and any resulting contract for outsourcing of services must give consideration to:
 - a. job losses and loss of trade to smaller communities
 - b. environmental impact and sustainability of purchase agreements, and responsible contracting principles, and
 - c. benefits for workers including financial and non-financial benefits.

Health and Safety

12. KPIs must require strong health and safety standards, ensure staff participate in health and safety training and have worker participation mechanisms. Documented worker participation and risk management systems. Trained health and safety representatives. Trained health and safety committees. Low rates of workplace injury. Cooperation, consultation and collaboration with other PCBUs in the workplaces mapped out and agreed.

Options analysis

13. Due to insufficient information, further consideration and analysis of the problem, available options and impacts is required before any proposal is finalised. We recommend other options should continue to be considered.
14. Cost benefit analysis must be disclosed so all options that were canvassed can be assessed against the Business Case.
15. Greater effort should be put into building existing alliances across the Auckland Metro DHBs and utilisation of Health Alliance.
16. We support greater investment in quality infrastructure to underpin the longevity and sustainability of support services in the health sector and we encourage a strong public sector role in terms of funding, design and delivery of services.
17. For each proposal a robust risk analysis must be undertaken which identifies potential risks, avoidance of those risks or mitigation if that is not reasonably practicable and contingency plans.
18. Unions should be consulted on any redesign of hospital ward especially where steamplivity is proposed due to space and equipment required for reheating meals on the hospital wards.
19. Information on the small upfront investment cost and the detailed cost and benefits of the proposed implementation should be provided as soon it is available.

Capital Requirements

20. HBL must conduct an analysis and evaluation of capital requirements, expected capital costs to replace ageing equipment for the Auckland Metro DHBs and information on kitchen facilities that Compass will upgrade.
21. We support the retention of hospital kitchens – no DHB facilities should close under the proposal.

Supply chain

22. We support a proposal that is committed to food being sourced locally in New Zealand where possible and inclusion of quota requirement in KPIs to ensure the commitment to use of local suppliers. We do not support a national procurement model for single suppliers.
23. Auditing and spot checks of food suppliers in the supply chain should be done by an independent group external to Compass. Requirements for auditing and monitoring of third party suppliers and penalties for Compass on supply chain failures must be included in the KPI.

Food standards and safety

24. Compass must disclose food information related to their recipes including ingredients and where they are sourced for nutritional analysis by a reputable independent dietician and researcher.
25. All menu options and labels on food packaging should indicate origin of ingredients and where food has been sourced. Patients have a right to know origin and where the food has been sourced so they can make an informed decision on what they choose to eat.
26. Careful consideration, planning and identification of risk analysis (including DHB IT capability such as WIFI) must be undertaken where new technologies are introduced for menu systems.
27. Unions should have input into decision-making and governance processes relating to implementation of initiatives based on national food standards and procurement processes.

Contract management

28. Any proposal for a national procurement model should carefully consider potential impacts of international agreements to which New Zealand is a party or may become a party during the term of procurement contract.
29. Clarification of the contract management role including interface with all parties including unions and DHBs, requirements for consultation, escalation and penalty process.
30. Clarification of HBL's contract management functions and how HBL intends to conduct this process is needed.
31. Clarification is required on the decision making process if a shift in responsibility for contract management occurred in future.
32. Any change to the governance model or contract management role should have input by unions
33. The Relationship Charter should include a reference "to better support employment relations" (in addition to what is under the fourth principle).
34. Information on HBL's measures for benefit monitoring and tracking should be disclosed.

Governance Framework

35. Clarification is needed of the representation on the National Food and Nutrition Council and Food and Nutrition Advisory Group (including unions) and on the appointment process to the Groups.
36. An on-going tripartite governance structure should be specified to monitor, provide input into contract management and oversight of the recommended approach - over and above the transition / implementation phase.
37. Unions wish to participate and take part in initiatives that improve the overall function of the health services and promote sustainability in the 3 Auckland Metro DHBs and wider health sector.

Evaluation

38. An evaluation programme examining the implementation and effectiveness of the proposed changes should be built into the agreed model from the start of the change process.

Introduction

- 1.1 The New Zealand Council of Trade unions - Te Kauae Kaimahi (CTU) is the internationally recognised trade Union body in New Zealand. The CTU represents 37 affiliated unions with a membership of over 325,000 workers.
- 1.2 The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3 The CTU has an active role in health sector forums including the Health Sector Relationship Agreement (HSRA) and the National Bi-Partite Action Group (NBAG). The CTU and health sector affiliated unions have been engaging with Health Benefits Limited (HBL) on work programmes, the development of Employment Protection Processes and the Change and Communications Framework (CCF) which has been agreed to by District Health Boards (DHBs) and unions.
- 1.4 The health sector employs more than 100,000 people and has a strongly unionised workforce ranging from doctors, nurses and allied health professionals to clerical, cleaning, trades people, kitchen, store and laundry workers.
- 1.5 The CTU would welcome the opportunity to make a full submission on the Business Case for the 3 Auckland Metro DHBs Food Services proposal, however, it is extremely difficult to reconcile the consultation document for the 3 Auckland Metro DHBs proposal with the Business Case. Unions have been told the consultation process is for a regional model for the 3 Auckland Metro DHBs, however, the Business Case for the proposal is based on a national outsourcing model which requires an entirely different consultation process.
- 1.6 The proposal will directly affect members of CTU affiliated unions: Service and Food Workers Union (SFWU), FIRST Union, the Public Service Association (PSA) and the New Zealand Nurses Organisation (NZNO). The proposal is likely to have an indirect impact on other parts of the health workforce and unions downstream. In preparing this response, the CTU has consulted with its health sector union affiliates and supports their submissions.
- 1.7 A list of questions for clarification and KPI requirements are provided in appendix A and B.

2. Business Case – Auckland Metro Food Services: CTU response

- 2.1 The CTU opposes outsourcing of food services at the 3 Auckland Metro DHBs (Auckland, Counties Manukau and Waitemata DHBs). There are significant risks to the sector if a proposal promoting privatisation of services and infrastructure goes ahead given the likely negative effect on food quality, employment conditions and decent work.
- 2.3 We are not convinced of the rationale for change particularly when savings can be achieved within DHBs' internal processes without necessarily needing to outsource the delivery of food services.
- 2.4 We reiterate our concerns in our earlier submission on the Indicative Case for Change (ICC) for Food Services from 2013. The consultation document and Business Case lack rationale, robust analysis of problems, options, risks, impact and meaningful information. In the absence of such information, the consultation document and Business Case like the ICC have created unnecessary speculation and heightened anxiety for workers and the public.

- 2.5 The Business Case is based on a national model for contracting out Food Services yet we have been told that the Business Case was a consultation document for a regional Auckland Metro model (Auckland, Counties Manukau, and Waitemata DHBs). The lack of clarification from HBL on whether the Business Case is for a national proposal or regional as well as refusal of union access to relevant information for consultation purposes have hindered unions' ability to provide well informed feedback. In addition, the CCF not being adhered to and changed unilaterally by HBL and confusing messages and communications on the Food Service review have been extremely frustrating and undermines the intent of a genuine consultation process.
- 2.6 The decision to use the Non-binding Indicative Offer (NBIO) process over a Request For Proposal (RFP) knowing that information would not be shared with unions and would allow a strong level of influence on outcomes by respondents is dubious and not in the spirit of good faith. During the development of the CCF, unions were not consulted on the introduction of the NBIO process in the CCF, implications on consultation process or the potential use of it further down the track.
- 2.7 Although HBL has said that no firm decisions have been made, the Business Case and consultation process to date seems to suggest otherwise. If HBL's processes do not comply with legislative requirements regarding the duty of good faith during change processes, then DHBs may be liable if disputes were to occur.
- 2.8 We have based our response on the proposal outlined in the Business Case but this does not exclude our interests in exploring other options. We have been told the Business Case is for an Auckland Metro DHBs Food Services proposal so our response is based on the three Auckland Metro DHBs (Auckland, Counties Manukau, Waitemata DHBs). The consultation process has been very confusing as the regional Business Case for the Auckland Metro DHBs is based on a national model. This submission is not to be taken as a response for a national model.
- 2.9 Auckland DHB has in-house staff affected by changes due to outsourcing of current services. Every avenue should be explored to enable the retention of all in-house workers or redeployment into appropriate meaningful work. The CTU also supports adopting national standards and processes across the sector (with union input into the development of initiatives); dissemination of best practice initiatives; and strengthening contract monitoring practices. Savings gained from these initiatives can be achieved through DHB internal processes. Transformational change is not required to implement these initiatives.

3. Issues

Consultation process

- 3.1 The consultation process on the Food Services programme has been flawed, misleading and frustrating for unions and affected staff. The change management process appears to be pre-determined and rushed with consultation appearing to be a mere formality in the process. Genuine and meaningful consultation has been lacking during the Food Services review. The end result has been increased uncertainty and anxiety amongst those who work in this area of DHBs.
- 3.2 The consultation process now being undertaken with the 3 Auckland Metro DHBs proposal is at odds with the decisions made by HBL following the ICC consultation process and what we have been told. Unions still have not received responses to the nearly 908 points raised by unions and health sector workers and stakeholders after the ICC consultation last year. Unions were told "*this will be addressed during the detailed business case*". This has not occurred.
- 3.3 Without reiterating the points already raised in the CTU submission to the Food Services ICC (2013), the lack of information and transparency has undermined the

consultation process even though there was an agreed process between DHBs, HBL and unions to follow for the CCF.

- 3.4 Lack of alignment and consistency between the CCF, timeframes and project milestones, misinterpretation of steps in the CCF and what these steps mean in practice have been the source of much frustration and confusion. To this end, unions, DHBs and HBL have agreed to review the CCF in early 2015 but this does not preclude the fact that there is still a change management process for HBL programmes underway including this food services proposal.
- 3.5 Given the CCF has not been adhered to and was purportedly unilaterally changed mid-process by HBL, affected unions (SFWU, NZNO and PSA) have initiated the change management provision in their Collective Employment Agreements. This is to establish a change management framework subcommittee under the auspices of the HSRA to oversee the change process for the delivery of food services in the 3 Auckland Metro DHBs.
- 3.6 We urge caution in rushing HBL work programmes. We note the issues that have arisen in respect of the FPSC programme including poor planning and lack of robust analysis of the current state, DHB input, and the challenges this has presented in progressing that programme not to mention the cost pressures, disruption and stress on staff.
- 3.7 The lack of information and clarity around communications has been a source of constant frustration for unions and raises serious concerns about the genuine nature of the process going forward. Without access to robust detailed information including decision-making and evaluative processes, unions are constrained in the consultation process and unable to provide well-informed submissions.

Duty of Good Faith

- 3.8 We reiterate our concerns from our submission on the Food Services ICC (2013) regarding the change management process and the duty of good faith. HBL is the agent of DHBs in the change process therefore HBL must act in good faith with unions through any change process. If HBL's processes do not comply with legislative requirements, then DHBs may be liable if disputes were to occur.
- 3.9 The consultation process must be genuine and unions have access to all available information including decision-making and evaluative processes. Without this information it is impossible for unions to provide well-informed and quality responses to proposals.
- 3.10 The ICC noted its reason for the decision to use the NBIO process in preference to an RFP process was because of its ability to move into due diligence and negotiation with potential providers faster than an RFP. The ICC clearly showed a preference for a national model and the NBIO process was based on a proposal for a national model. The Auckland Metro DHBs proposal is a regional model, therefore, a new tendering, consultation and change process is required. Instead, the national change management process including the NBIO process has automatically been applied to the regional model with no new tendering process for the preferred provider at regional level. The consultation process is flawed and misleading.
- 3.11 The inclusion of Compass in the regional model means DHBs with in-house food services (e.g. Auckland DHB) were unable to put forward a proposal as per the NBIO process because they were told the proposal had to be for a national food services solution. No DHB with its own in-house service could meet this requirement. Regional solutions were not anticipated in the NBIO process. At no stage has an in-house proposal with joint procurement across two or more DHBs been requested or considered.

- 3.12 The use of the NBIO process raises perceptions that service providers (Compass) have a vested interest in over-inflating projected benefits, cost savings and input into solutions that would give them preference. Amongst other reasons, the use of the NBIO process can also be seen as a way of preventing information that should otherwise be disclosed during a consultation process.
- 3.13 Although HBL has stated that no decisions have been made, there is a strong preference for the outsource approach (single provider Compass) in the consultation document and Business Case for the 3 Auckland Metro DHBs. This means alternative options have not been fully explored such as the cost of upgrading current facilities and equipment in the 3 Auckland Metro DHBs, strengthening contract management and implementing national standards and processes to provide a competitive match for savings and alternative for external management of services. We will not know if this is the case as the cost-benefit analysis for other options has not been shared.
- 3.14 Given the efforts to progress the NBIO process which support a proposal for contracting out food services this would indeed suggest that other options are not open for consideration. The NBIO process appears to have been geared for this scenario to eliminate other options including status quo and regionally based options.
- 3.15 It is concerning to see the level of influence Compass has played in the development of the Business Case and transition phase including starting an EOI process for the mobilisation phase even though unions have been told no decision has been made.
- 3.16 The lack of transparency, lack of access to information and opportunity to scrutinise decisions are likely to have a significant impact on the sector. Processes undertaken by HBL need to be open, accountable and transparent. Transparency should not and cannot be undermined in pursuit of commercial interests and cost savings. We will not know if cost savings could be equalled or bettered by other options due to an insufficiently open tendering process.

Business Case – Auckland Metro proposal

- 3.17 There are many aspects of the Business Case for the 3 Auckland Metro DHBs which raise serious concerns around the negative effects of a national outsourcing approach e.g. impact on jobs, communities, food quality and standards, service delivery, patient care, transparency of information and processes and public service ethos. We note the lack of detail regarding the rationale when much of the proposal including implementation of national processes and procedures could be implemented through DHB internal processes and other mechanisms within the sector e.g. Health Alliance.
- 3.18 We are not convinced of the case for change as per the Business Case and consultation document for the 3 Auckland Metro DHBs. We do not have all the information, know what the end state will look like as this work has not been completed or know the final impact on jobs after transfer of services to Compass.
- 3.19 Issues and risks associated with the 3 Auckland Metro DHBs' proposal are outlined below.

Rationale for change

- 3.20 The Business Case does not clearly state the problem that it is intending to overcome in respect of current food services (particularly at ADHB) and the need to outsource to improve food services in order to achieve anticipated savings and efficiencies. There are references to what the problem may be in parts of the Business Case but there is no coherent explanation of the extent of the problem/s.
- 3.21 We are aware that urgent remedial action is required in some DHBs to upgrade ageing or broken machinery and equipment, however, the extent of capital

requirements across the sector remains unclear if the proposal was rolled out. The Business Case identifies that the sector (all DHBs) would need to spend \$43.7million over the next 15 years to bring kitchen facilities up to standard (this equates to just under \$3 million spend per year across all DHBs or about \$150,000 per year for each DHB). This cost would appear minimal in terms of long term infrastructure investment in comparison to ownership of assets by a third party.

- 3.22 We have not received any information on the cost of capital requirements, expected capital costs to replace ageing equipment, and capital upgrade requirements for the 3 Auckland Metro DHBs or information on kitchen facilities that Compass will upgrade. We need to understand the state of infrastructure and capital requirements for the 3 Auckland Metro DHBs and whether the DHBs or Compass will bear the cost/ownership.
- 3.23 The nutritional analysis report prepared by independent reviewer Dr Heather Spence highlighted the extent of variances in food quality and standards across DHBs but it remains unclear as to how outsourcing food services (external management) would provide a better response to managing this issue than DHBs utilising internal processes or using an agency such as Health Alliance to manage standards and procurement processes. Health Alliance is already doing procurement work under other HBL programmes (FPSC).
- 3.24 The consultation document for the Auckland Metro DHBs proposal indicates that “... *Compass would present improved expanded menu choices, leading to better nutritional outcomes... a single provider would ensure consistent and high food quality and food safety standards*” (page 6, Consultation Document). It is difficult to see how this can be when Compass did not provide information on its recipes and food ingredients/sources to Dr Heather Spence to ascertain whether Compass food would be up to standard. This means we have no way of knowing if Compass’ food is actually up to standard, of high quality and meets food safety requirements.
- 3.25 We are extremely concerned by this lack of co-operation by Compass (they cite commercial sensitivity for non-disclosure) to enable analysis to occur and identify nutritional value, standards and food safety of their food which is proposed to be fed to patients, staff and members of the public. Spot checks and food audits are useful in monitoring food standards but the sector should not be entering into any contract without all the information to make an informed decision.
- 3.26 The ICC showed a preference for a national outsourcing model (single provider) and the Business Case supports this proposal. The Business Case also states the ICC conducted robust assessment of options to deliver food services and all options (except status quo) proposed external management of food services.
- 3.27 It has been disappointing to see that both the ICC and the Business Case lack robust analysis and information on alternative options. As identified in our submission to the ICC (2013) we do not accept a handful of bullet pointed advantages and disadvantages as being a *robust* analysis of all available options. It is disappointing to see the lack of in-depth examination of all available options. This suggests a predetermined preference to outsource food services for external management.
- 3.28 The Business Case does not provide a clear justification or evidence base of the problem, on what basis is external management better, and reasons for going with Compass. Without this information, the Auckland Metro DHBs risk developing solutions which may not be fit for purpose, risks patient safety and undermines the health system.
- 3.29 More information should have been made available on the cost-benefit analysis of alternative options including the cost of upgrading current DHB equipment and facilities and implementing procurement and national food standard changes through DHB internal processes. In the interests of transparency and good decision-making

we recommend the cost benefit analysis for other options be disclosed so all options can be assessed against the Business Case.

Cost-benefit Analysis

- 3.30 The Business Case states that if an outsourcing approach for the Auckland Metro DHBs was undertaken the financial benefits from savings would range from \$80-90 million over 15 years which equates to \$15 million savings for Auckland DHB, \$39 million for Waitemata DHB and \$34 million for Counties Manukau DHB.
- 3.31 The proposed savings would suggest that Auckland DHB is in fact more efficient than Waitemata and Counties Manukau DHBs where Compass currently has the food services contract. This could be because the average cost per patient meal is lower at Auckland DHB than the two DHBs that have already contracted to Compass. We note that the Business Case is silent on consequences if proposed changes do not achieve the anticipated savings.
- 3.32 Consideration of the Auckland DHB in-house model was not canvassed at any stage because the original NBIO specifications were for a "national or regional solution" and no individual DHB with in-house food services was in a position to bid for that scale. We are disappointed this option was not invited or canvassed as DHBs have proven that they can co-operate on regional lines and there is no reason why this could not become national with proposed national food standards and procurement processes.
- 3.33 The proposal indicates that benefits of economies of scale are presumed to be achievable only by contracting out. The 3 Auckland Metro DHBs already have the ability to do joint procurement through Health Alliance, and Auckland DHB does joint procurement for food services with Waikato DHB (also in-house). The CTU is not convinced that the same economies of scale could not be achieved by the Auckland Metro DHBs taking food services back in-house where they are currently contracted out and achieving joint procurement through Health Alliance. The proposal for the Auckland Metro DHBs anticipates a national contract with Compass. According to the Independent Business Case review, if DHBs nationally do not agree to sign up to the proposal, the benefits to the 3 Auckland Metro DHBs will necessarily be reduced.
- 3.34 Without knowing the full extent of changes that might occur and associated implementation costs, it is difficult to understand how the proposed service provider (Compass) has arrived at their conclusions for cost savings and what risks or changes to services they entail.
- 3.35 It is unclear what the cost savings will be when offset against the implementation and change costs (which are unknown). The Business Case suggests that there will be small upfront investment required to transition to the new model. We note that following confirmation of the proposed model, detailed cost and benefits for the sector will be made available. We request information on the small upfront investment cost and the detailed cost and benefits for the sector once available.
- 3.36 It is likely there will be many hidden costs associated with the Business Case based on outsourcing, particularly when taking into account costs such as legal fees, contract negotiations and administration, capital upgrade, training and redundancy. It is also unclear who would meet redundancy costs. We are concerned at the lack of information on implementation and redundancy costs and request this information urgently.
- 3.37 It is likely that the contribution to savings will be minimal and outweighed by implementation and design costs or losses in quality of services if they are not adequately identified and validated.

- 3.38 We note the assertions made in the Business Case on cost savings e.g. reductions in cost of meals. We are concerned at the level of emphasis put on cost reductions for meals. Quality of food plays an important role in managing patient recovery and this role should not be compromised in pursuit of cost savings.
- 3.39 The Independent Business Case review provided some information on the financial savings and costs for the 3 Auckland Metro DHBs. However, we hold concerns regarding the transparency of financial information to verify reported savings by HBL. The Business Case notes that HBL will develop a tool and centrally manage benefit monitoring so as to track benefits achieved. We are concerned that benefit monitoring will become blurred as often has between DHB baseline savings and those achieved through HBL activities. We request further information on these measures so as to ensure the reliability and quality of benefit monitoring and tracking.
- 3.40 Finally, it is unclear as to where the cost savings will go, how the savings will be distributed and by whom, and whether the 3 Auckland Metro DHBs funding will be affected by any savings incurred. There must be assurances that funding for the Auckland Metro DHBs will not be reduced due to savings that may be achieved through the Business Case.

Workforce Implications

- 3.41 The Business Case for outsourcing food services in the Auckland Metro DHBs is likely to have a negative impact on job quality and decent working conditions. We believe any proposal to outsource through an outsourcing model will result in mass redundancies and have a major effect on the workforce.
- 3.42 Consideration will need to be given to areas of cost savings where potential changes could have an impact on terms and conditions of current collective agreements and processes of workers covered by Part 6A of the Employment Relations Act 2000 (Part 6A) and the Code of Good Faith for the Public Health Sector.
- 3.43 We would be very concerned if any changes were to lead to deterioration in pay and conditions for employees affected. It is not acceptable for savings to be taken from the pay packets of low wage workers. A commitment to maintaining good pay and employment conditions should be a key criterion of any proposal.
- 3.44 Those employees whose work falls within Schedule 1A of the Employment Relations Act 2000 must also retain rights under Part 6A including the right to transfer to the new employer on existing terms and conditions.
- 3.45 Unions and DHBs continue to discuss the legal implications of changes and implementation processes, however, due to the complexity of issues particularly around staff who do multiple roles, the process needs to be worked through carefully. Any attempt to rush this process will result in costly and litigious consequences if not done properly.
- 3.46 If the proposal proceeds there is likely to be a 6-12 months lead in time for the transition, implementation process and for staff transfers (for those who wish to transfer under Part 6A). We note the Employment Relations Act 2000 prescribe transfer timings in any change though they may be altered by agreement. Given the lead in time, the CTU recommends unions, DHBs and Compass engage in early discussions to develop an agreed process to identify suitable redeployment opportunities and appropriate redundancy support.
- 3.47 We note the lack of reference to employer obligations throughout the Business Case and lack of information on the implications of any proposal on the workforce. There must be reference to good employer and health and safety obligations in KPIs e.g. maintaining good employment conditions and strong health and safety standards, training and worker participation mechanisms.

- 3.48 We note the absence of both qualitative and quantitative information on benefits for workers from the proposal. The Business Case outlines financial benefits and other benefits for the sector but there is no consideration of the impact and benefits for workers. The Business Case must identify how it will benefit the workforce as this is an important step in creating an effective proposal. Further information is required on the proposal's benefits for workers
- 3.49 The 3 Auckland Metro DHBs will be making decisions on this proposal in December 2014. Unions have been told there have been no decisions on staffing levels and there will not be any decisions made until March 2015 after Compass starts implementing its proposal. The service delivery model design work for each DHB will not occur until the mobilisation phase being conducted by Compass so it is not possible to provide detailed information on the individual staff consultation at this time. At the very least there should be information available on the aggregate numbers for affected jobs once the transfer process is complete from DHBs to Compass. We request information on job impacts from Compass.
- 3.50 The Independent review of the Business Case identified projections for a loss of 24 per cent of food services staff at CMDHB, 20 per cent at Waitemata DHB and 15 per cent at Auckland DHB. Job losses would affect roles such as cooks, menu collators, drivers and store-persons as a result of the introduction of new technologies, processes and procurement of pre-packaged foods. unions cannot see how the proposed staffing model can achieve such a huge reduction in staffing levels, given that the biggest labour resource in a hospital production kitchen is the tray-line which is still required under the proposed predominantly cook-chill and steamplicity model .
- 3.51 The proposal intends to introduce steamplicity in half the Auckland Hospital wards and treble the staffing levels on those wards, while doubling the staffing levels on all other wards. The proposal does not make sense. Unions cannot see how with the loss of 1 in 4 staff at Counties Manukau DHB and 1 in 5 staff at Waitemata DHB, quality food services can still be provided to patients.
- 3.52 The proposal involves all staff at Auckland DHB transferring to Compass on current terms and conditions. Job losses in subsequent restructuring are to be minimised by Compass working with Auckland DHB to redeploy kitchen staff elsewhere in the DHB's operation. Given that the DHB will have few in-house jobs available in food services, where is it envisaged that workers such as cooks will be redeployed?
- 3.53 Similarly assurances have been made at DHBs where Compass is the employer that staff who lose their jobs under the new ways of working may be offered positions elsewhere within the DHBs. It must be noted that unless such positions are in the same capacity as that in which the employee was employed, or one that the employee is willing to accept, redundancy compensation will apply. Furthermore there is no provision in the relevant collective employment agreements for partial redundancy so employees whose hours are cut will also be eligible for redundancy. The CTU seeks a commitment from DHBs to find suitable redeployment opportunities for affected staff.
- 3.54 Compass has provided assurances that extensive training will be available to support the new delivery model. Unions are concerned that such training will not provide staff with portable qualifications across a range of skills. Union experience has been that Compass has been slow to roll out training to the level of national qualifications (NZQA recognised) to all staff. Training is crucial not only for upskilling and developing transferable skills but also for health and safety and being exposed to highly infectious environments. The CTU recommends KPIs include training requirements as a key criterion and a commitment by Compass to ensure all staff have access to training and upskilling opportunities, and all staff receive access to NZQA qualifications.

- 3.55 Any proposal designed to outsource and monopolise service provision will have a significant effect on smaller communities. Job losses in smaller DHBs as a result of the change process will have a significant adverse effect on their communities. Smaller and medium sized businesses may miss out on business opportunities if food services are contracted out.
- 3.56 The CTU encourages HBL to consider the effect job losses and loss of trade on smaller and medium sized businesses will have on smaller communities if an outsourced approach is implemented wider than the 3 Auckland Metro DHBs as the impact of job losses will be felt more widely and have a direct impact on people and the local economy.
- 3.57 Finally at a time when there is so much organisational change and increasing uncertainty regarding job security in the sector, we urge HBL and DHBs to maintain good change processes, genuine consultation, regular communications, and sensitivity towards the many workers (often in low paid work) who may be feeling unsettled, under-valued and vulnerable in their jobs.
- 3.58 There is a considerable mistrust of Compass due to their employment relations history. If the proposal with Compass as the service provider is progressed we urge the inclusion of KPIs around good employer obligations which must hold the provider accountable and penalties available for non-compliance.

Changes to service delivery

- 3.59 In terms of meal delivery to patients, the proposal is to increase the number of ward assistants, especially in those wards where Steamplicity is to be used (Auckland Hospital, North Shore Elective Surgical Centre and Manukau Surgical Centre). The heating of meals on the wards will inevitably create pressure on already busy spaces.
- 3.60 The proposal also indicates the introduction of a new electronic menu system/tool called Saffron. Similar tools have been utilised previously (e.g. Auckland DHB and CBoard system) and experienced challenges in implementing and resolving the IT tool over two years including “black spots” with no wireless access which affected the usability of the tool.
- 3.61 To our knowledge the proposed Saffron system has not been used elsewhere in DHBs yet Auckland hospital which is one of our largest and busiest hospitals could be implementing the system under this proposal. We are concerned how a “spoken menu” used by Saffron will work for patients in Starship wards with children, or with patients who have limited English skills. We urge caution in introducing this tool, it requires careful contingency planning if the system fails and alternative methods for menu selection is required.
- 3.62 There may also be unintended consequences such as increased food wastage due to rushed menu selections. This is because people may feel they do not have enough time to choose their preferred menu amongst available options when the electronic system is brought around by staff for patients to make their choice.
- 3.63 Proposed changes for meals on wheels could result in double-handling of meals-on-wheels in the kitchen; food safety and quality of previously frozen meals re-heated in the hospital kitchen and potentially again in the homes of sick and elderly consumers. The changes will have an adverse effect on jobs, particularly in smaller rural hospitals throughout the 3 Auckland Metro DHBs where meals-on wheels exceeds preparation of patient meals.

Transformational change vs Incremental change

- 3.64 There are opportunities for less disruptive incremental changes to be made which contribute to cost savings, add value, improve efficiencies and minimise disruption to

services which would otherwise occur through more significant “transformational” changes such as outsourcing food services.

- 3.65 For example, under the current system, there are several issues relating to contract management which could be addressed through stronger KPIs such as better performance measures, contract monitoring and penalties for any breaches and non-performance. These solutions do not appear to have been considered in relation to other options such as the status quo.
- 3.66 We support proposals around implementing/dissemination of best practice initiatives. These initiatives can occur through internal DHB processes at not only the 3 Auckland Metro DHBs but across other DHBs nationally. Outsourcing food services does not need to be undertaken to achieve these initiatives and that outsourcing may be a barrier to new innovation that are not cost neutral.
- 3.67 Whilst we support initiatives around improving procurement processes and adopting national food standards we are concerned solutions may become too rigid, have an adverse effect on costs and compliance, compromise patient safety and not necessarily be fit for purpose. The CTU recommends union and health practitioner input into decision-making processes and governance such as the Food and Nutrition Advisory Group on development and implementation of the initiatives and procurement processes. This will help ensure solutions are fit for purpose and patient safety maintained.
- 3.68 There are effective ways to address problems currently affecting food services at the 3 Auckland Metro DHBs which do not lead to the disadvantages that an outsourcing approach could bring and minimises disruption to services. The desire to shift to an outsourcing model introduces competition, monopolistic behaviour, and profit-driven motives into the delivery of public services, which is in contrast to the collaborative and service orientated approach of the public sector. We reiterate our concerns from the earlier ICC submission (2013) that an outsourcing approach inevitably leads to the health sector being increasingly privatised, posing major risks that threaten patient safety, equity, quality of care, services and capacity of the health sector.
- 3.69 Maintaining and building the capacity and capability of the 3 Auckland Metro DHBs to provide services should be the long-term strategy of the DHBs. Use of the private sector as a short-term solution for “quick wins” is short sighted, irresponsible and not a sustainable approach to addressing problems. We believe the focus should be on improving the effectiveness of current infrastructures, contract management and monitoring processes.

Implementation of national food standards

- 3.70 Dr Heather Spence conducted an independent review of the nutritional quality of food provided by DHBs that provide in-house services. Some exceeded the standards agreed by the HBL Food and Nutrition Advisory Group. The National Food and Nutrition Standards provide a useful standard against which deficiencies can be identified and addressed (e.g. by the addition of iron-rich food or supplements).
- 3.71 The two contractors active in providing food services in the 3 Auckland Metro DHBs (Compass and Spotless) declined to hand over their recipes to HBL for nutritional analysis so the results were at best “presumed to be reliable”. Absence this evidence, we are not convinced that Compass provides a better nutritional standard than the in-house Auckland DHB food service. Nor are we convinced that it is necessary to contract out all DHB services to a single provider in order to achieve the desired outcome of national nutritional standards – especially to one that was not prepared to hand over its recipes for analysis to an independent reviewer.

Food Quality and Safety

- 3.72 Under the proposal Compass is responsible for procurement, preparation and delivery of food services with the bulk of the food coming into the hospital kitchens pre-packaged and prepared by suppliers that are not directly accountable to the DHBs for food quality and safety. We are not convinced that Compass has the capacity to monitor external suppliers (supply chain) to the standard currently provided within hospital kitchens.
- 3.73 There is no information in the Business Case on who the suppliers will be, where and how food supplies will be sourced. We are concerned by well publicised food safety issues experienced in the hospitality sector, schools and hospitals in the United Kingdom (UK) within the past two years which involved Compass and the use of poor quality meat in food (substitution of horse meat for beef by suppliers in food chain).
- 3.74 In September 2014, findings from a UK Government review into the “horse meat” scandal identified a number of issues and failures within the food safety and supply chain system and made a number of recommendations for an overhaul of systems, standards, audit and quality assurance processes, monitoring and tighter rules. We are very concerned about the likelihood of a similar issue occurring here in pursuit of lowest price to maximise profits.
- 3.75 Our concerns surrounding the “horse meat” scandal are heightened when we see the assertions made in the Business Case on the reduction for cost of meals if outsourcing to Compass and the reluctance of Compass to share their recipes (ingredients and food source information for nutritional analysis).
- 3.76 There must be stringent audits and quality assurance processes undertaken of supply chain providers to ensure high quality, nutritious food and adherence to food safety standards. We recommend auditing and spot checks be done by an independent group external to Compass. This requirement as well as adherence to good responsible contracting principles must be a part of the performance agreement and KPIs agreed between DHBs and Compass to ensure this process is adhered to and consequences available for any failures and non-compliance.
- 3.77 It is important to note the environmental impact of the recommended approaches. The Business Case fails to discuss sustainable and environmental aspects of the proposals in detail including the impact of distribution costs arising from the proposal. Has there been an analysis of associated costs and impact on the environment i.e. carbon footprint if high levels of distribution were required? We are also concerned about the carbon footprint and for this reason we do not support national procurement from single suppliers.
- 3.78 The CTU believes it is essential for decisions to consider options which are environmentally friendly, sustainable and adhere to responsible contracting principles.
- 3.79 The proposal emphasises that food is to be sourced locally where possible. We support this. We are aware that Compass has sourced food from overseas suppliers that has proven problematic for patients. For example, Compass have used fish sourced from Vietnam at North Shore Hospital that had to be withdrawn after patient complaints about smell and consistency. Other examples include using vegetables (e.g. frozen broccoli) from China which may contain undesirable additives or pesticides. We recommend a quota system to ensure a commitment to the use of local food suppliers.
- 3.80 Patients have a right to know where their food has been sourced. We recommend consumers of Compass food in the DHB sector are informed of where the food has been sourced such as labelling on food packaging in the cafes or on menus.

Lack of Clarification - facilities ownership, management and responsibilities

- 3.81 We note no kitchen facilities will be closing under the proposal. We support this decision to ensure continuity of services.
- 3.82 However, it is unclear if the intention of the preferred approach is to acquire current equipment, machinery and facilities or build new facilities. Nor is it clear which facilities or equipment in DHBs (particularly Auckland DHB) would be upgraded in terms of capital, retained or how the preferred approach would operate in practice - alone or in partnership with DHBs.
- 3.83 Furthermore, it is unclear what new facilities would be the responsibility of the DHB or Compass e.g. storage, docking bay, ward changes for implementation of steamplidity. Our understanding is that Compass will be responsible for the building of any new facilities required such as facilities on wards providing steamplidity. We seek clarification of responsibilities regarding asset/facilities management and maintenance.
- 3.84 Ownership of facilities and equipment by a third party for the delivery of services poses great risks for DHBs particularly their ability to buyback assets in future. We are concerned at the increased use of outsourcing public services, what this means for services, jobs and costs now and in the future. If there were problems with the provision of services under Compass, would the DHBs would be in a position to undertake food services as the equipment and facilities may be owned by Compass? There is little information in the Business Case on this issue.
- 3.85 We reiterate our concerns from our ICC submissions on Food Services (2013) around the sale, purchase and ownership of assets by DHBs. If there is a sale or acquisition of current DHB equipment/facilities by a provider, will this acquisition be a part of contract negotiations? What will be the value or market price of the sale? Will there be consultation or opportunity for input by unions and public? Will there be instances of shared ownership? How will this work and who will manage the ownership? Historically, there have been several examples where public assets are sold at a low price (often to the detriment of taxpayers) then purchased back by government a later date to salvage critical services/ infrastructure.

Lack of risk analysis

- 3.86 The Business Case indicates that a 15 year term with the right to renew or cancel the cancel after every five years. There are considerable risks with a long term contract including changing technologies and market dynamics, bankruptcy, changes in needs, changes in the international and political landscape, and natural disasters (such as earthquakes) to consider. There is no information on whether these risks have been considered or what the mitigation plan would be if they were to occur. The lack of risk analysis and information is of major concern. The sector must have confidence this is a secure, robust and resilient proposal.
- 3.87 The Business Case is unclear on the extent of costs for the buy-out of current contracts and/or how these contracts would be managed in the event an outsourcing approach were undertaken. We believe further work is required on the legal, employment and cost implications for buying-out current contracts for service providers, supplier and procurement contracts.
- 3.88 Long term contracts increase the risk that the contract will need to be renegotiated during its life. This may mean the renegotiation of the contract is conducted in a non-competitive environment. These issues are likely to constrain DHBs, reduce flexibility and limit their ability to redistribute resources.
- 3.89 It should be born in mind that under the provisions of international treaties such as the Trans-Pacific Partnership Agreement should it be signed and ratified,

procurement contracts are included in the definition of “investment” and therefore subject to the treaty rules on investment as well as those on government procurement. The contractor may therefore have standing as an investor and an overseas owned or based contractor may be able to take an international dispute under Investor-State Dispute Settlement provisions should it consider its future profits or the value to it of the contract are compromised.

- 3.90 This may not only affect the ability of government parties to the procurement contract to modify the contract, but also make the government reluctant to do so (even if justified) because of fear of expensive and lengthy international litigation. Any proposal for a procurement model should carefully consider potential impacts of international agreements to which New Zealand is a party or likely to become party to during the term of the contract.
- 3.91 We hold serious concerns around several aspects of risk mitigation including disaster recovery, termination, governance, health and safety and industrial relations risks. Safeguards which in effect insure against change could be costly. A robust risk analysis must be undertaken which identifies potential risks, risk mitigation and contingency plan for any proposal.
- 3.92 The Business Case indicates that through implementation, risks will be managed jointly and by the three parties in accordance with each party’s risk management framework (presumably DHBs, HBL and Compass). Whilst joint risk management would add value we are concerned there may be misalignment between the different risk management frameworks. We recommend an agreed tripartite risk management framework between the three parties be developed so as to ensure consistency in application, effective and timely risk management and alignment.
- 3.93 An attraction of an outsourcing approach is that it enables the transfer of risk regarding delivery failure to the private sector. The weak analysis of the risks in the Business Case appear to lead to this way of thinking. The Business Case fails to provide any assurances or information on contingency plans.
- 3.94 Concerns raised in our submission on the Food Services ICC (2013) apply equally to this proposal and we seek clarification on the following issues i.e. what if the contracts were to fall over (particularly if single provider)? Could DHBs deliver food services if the outsourcing approach had to be reversed? What is the role of the State in such an event - would the State be looking to underwrite and essentially act as an insurer as has been the case in the past? How can it avoid carrying the cost when the public will expect these services to continue without break and will have little interest in the legal niceties of the contract relationships? What would happen to services at Auckland DHB if the contract with Compass fell over (steamplicity is patented by Compass) – would this mean Auckland DHB pays for the use of steamplicity or would they revert to Cook Chill? Will Auckland DHB have the facilities and capability to revert if required?

Impact on transparency and accountability

- 3.95 The consultation document states the remaining 17 DHBs will consider the proposal independently in late 2014. It is of considerable concern to the CTU if the Auckland Metro DHBs proposal for outsourcing food services is progressed. We view the 3 Auckland Metro DHBs’ proposal as a precursor for the rollout of a single provider (Compass) outsource model nationally and will add pressure to DHBs accept the proposal.
- 3.96 This poses a number of issues including the ability of DHBs to exercise their democratic decision making rights, autonomous role and fulfil accountabilities. It is unclear what would happen to the projected savings for the 3 Auckland Metro DHBs (as this is reliant on uptake of the national model by other DHBs) if other DHBs chose not to accept the proposal.

- 3.97 Accountability is affected where private sector involvement increases in the delivery of public services and infrastructure. The lack of accountability mechanisms and impact on transparency if the outsourcing approaches are undertaken concerns us. Under the outsourcing approach, public spending is more difficult to scrutinise as private sector providers are not covered by information requests. There is also a risk of hollowing out the expertise and capability of the health sector, so that monitoring of the services cannot be effectively carried out, and the ability to resume provision of the services is lost. Nationally outsourcing the provision of services and infrastructure encourages a commercial profit-driven approach.
- 3.98 An outsourcing approach by a single provider across the 3 Auckland Metro DHBs raises serious concerns for other areas of the health sector e.g. aged care, wider public services and infrastructure. It is disappointing to see the lack of in-depth examination of available options. We recommend canvassing all available options and a robust analysis conducted before proceeding further with this proposal.
- 3.99 We support greater investment in quality infrastructure to underpin the longevity and sustainability of support services in the health sector and we encourage a strong public sector role in terms of funding, design and delivery of services. We believe greater effort should be put into building existing alliances in the sector.
- 3.100 The CTU opposes any contracting-out of services under an outsourcing single provider arrangement. We believe that greater private health involvement will seriously weaken the public health sector, add pressure on already scarce resources and undermines the public system.

Monopoly of local market – undue influence over public services

- 3.101 The delivery of food services in the health sector by Compass could result in a monopoly and dominance over the local market. We view this as detrimental to New Zealand's economy and public health system. Greater risk of private sector monopolistic behaviour will seriously weaken and undermine the public health sector and affect the ethos of the wider public sector.
- 3.102 We believe that outsourcing will allow the private sector to exercise undue influence over services in the public health system. International (e.g. the UK's National Health System) and local examples highlight the risks and failures of outsourcing and privatisation of public services, infrastructure and associated issues including fragmentation of the health service, lack of democratic, accountable and transparent processes, changes to services and increased costs. These examples show that the outsourcing approach has been hugely controversial and fiscally there are more and more questions emerging about the financial viability and quality of contracted out services.
- 3.103 The Business Case implies that an outsourcing approach would provide greater efficiencies. We are not convinced this will be the case as similar efficiencies and savings could have been explored for internal DHB processes. Without information including costings for alternative options we have no way of knowing whether the case for change to an outsource model is valid. The Business Case does not give due consideration of outsourcing and its impact on employment relations.
- 3.104 We have serious concerns regarding the negative impact on job quality and decent working conditions. There is a real risk of mass job losses if a national outsourcing approach under a single provider is undertaken given the opportunity to reduce labour costs through casualization and contracting out of jobs resulting in increased market share and profits for shareholders. The CTU is concerned many workers will be directly affected by this approach through unemployment and losses in wages, job security and employment conditions.

- 3.105 We hold serious concerns regarding the nature of work if an outsourcing approach were to progress e.g. prevalence of contractors and a casualised workforce. There is a strong likelihood that there may be a large number of subcontractors on site at hospitals who may not necessarily be familiar with hospital environments and may pose as a risk to patients or other staff by making issues such as privacy and infection control more difficult to manage.
- 3.106 Compass stands to benefit greatly from this proposal and in other areas of the public sector increasing its private sector, multi-national influence, power and monopoly as a food giant in the delivery of food services in New Zealand. We note from the Business Case that the proposal and contract for Compass has been written to ensure other Government agencies are able to take advantage of arrangements and that discussions have already been had with NZ Defence Force and the Department of Corrections.
- 3.107 The CTU holds serious concerns regarding this development and the continued negative effect contracting out will have on employment and the hollowing out of public services.

Governance Framework and Functions

- 3.108 The proposal indicates that HBL will oversee contract management, operations management, national standards and policies. However, how this role will work in practice for all parties, the rights and obligations of HBL in relation to contracted parties (Compass), communication process between parties, accountabilities, the duration of HBL's role in the governance framework and future role remains unclear.
- 3.109 The Business Case outlines proposed contract management roles and responsibilities (page 32). Whilst this outlines the activities that proposed to be carried out by HBL and local DHBs staff, it remains unclear as to the level or process for DHB input into contract management and decision making.
- 3.110 The Business Case states a number of functions that HBL will undertake on behalf of the sector to manage the contract. Further information is required of these functions and clarification of how HBL intends to conduct this process. For example, one function involves defining strategy plans, standards and policies – who will have input into this function? HBL? Will DHBs and unions have an opportunity for input? We would be concerned if HBL worked in isolation of the sector on these functions.
- 3.111 To avoid confusion, potential conflict and managing expectations we recommend further clarification of the contract management role, interface with all parties including unions and DHBs, requirements for consultation, escalation and penalty process.
- 3.112 Given the term of the contract is 15 years, we are concerned about the retention of capable people with the relevant skill sets and experience, and continuity of knowledge in contract management and governance over this time. The governance and management roles will be complex and will require careful management. The governance structure including HBL must have the trust and confidence of the sector to undertake this work and have strong leadership for decision making particularly where the service provider (Compass) must be held to account on non-performance and non-compliance.
- 3.113 The Business Case states that HBL will undertake the contract management role in the medium term. However, it is unclear what is meant by “medium term” i.e. length of time and it is unclear who will decide appropriate contract management in future if it were passed onto another Group. We would be concerned if this management role was diluted in any way in future years. We seek clarification on the decision making process regarding a shift in responsibility for contract management if it

occurred in future. Any change to the governance model or contract management role should have input by unions.

- 3.114 It is unclear who would be represented on the Food and Nutrition Council and the Food and Nutrition Advisory Group. Union representation should be on these Groups. We seek clarification on the process for appointment to these Groups.
- 3.115 We also propose the establishment of an advisory group tasked with monitoring and providing oversight of employment relations, work conditions and job impact. This advisory group could assist on the transition process and implementation if an outsourcing approach was undertaken. The advisory group should consist of DHB, Compass, HBL and Union representatives.
- 3.116 The Governance structure is proposed to have a Relationship Charter that sets the guiding principles for how Compass and HBL will work together on behalf of the sector for the term of the contract and provides a reference point for accountability and responsibility. We believe such a Charter is a useful starting point for clarifying the nature of the relationship and expectations. However, we recommend that the Charter also include under the fourth principle a reference to better support employment relations.
- 3.117 Given the scale and complexity of changes proposed, it is vital to ensure there is input from workers on the future state, operating model and Union representation on advisory groups and governance structures. This will assist in identifying whether the proposal is working well, fit for purpose, and ensure transparency of information and decisions. The CTU recommends an on-going tripartite governance structure to monitor, provide input into contract management and oversight of the recommended approach - over and above the transition / implementation phase.

Implementation and Evaluation Process

- 3.118 Depending on the degree of change proposed, there will be significant changes that will require careful management in terms of continuity of services across the sector. A detailed implementation plan with input from unions should be developed including consideration of issues such as workforce and employment implications, roll-out, training and contingency plans. Given the potential for significant changes for food services in the sector, we cannot afford to have services shut down and patient safety put at risk due to poor planning and risk management.
- 3.119 A detailed evaluation programme examining the implementation phase, effectiveness of the changes and experiences of users should be built into the agreed model from the start of the change process. Evaluation findings will be critical in identifying whether the implementation process was effective, changes have worked, the intentions of the proposal have been achieved and further areas for improvement.

4 Conclusion

- 4.1 The CTU opposes outsourcing food services at the 3 Auckland DHBs (Auckland, Counties Manukau and Waitemata DHBs).
- 4.2 There are significant risks to the sector if a proposal promoting privatisation of services and infrastructure goes ahead and the negative effect contracting out services will have on employment conditions and decent work.
- 4.3 We are not convinced of the rationale for change when savings can be achieved within DHBs' internal processes without necessarily needing to outsource the delivery of food services.
- 4.4 We support incremental changes based on initiatives around improved contract management and performance measures, standardisation of products and processes

and best practice dissemination. We do not believe the sector needs to go through the unnecessary turmoil of transformational change to achieve these savings and efficiencies.

- 4.5 If the proposal with Compass as the service provider are progressed we urge the inclusion of stringent KPIs around service provision and good employer obligations which hold the service provider accountable and penalties imposed for non-performance and non-compliance (refer appendix B).

Appendix 1 Questions

In addition to the issues raised in the submission, replies to the following questions are needed to inform the CTU's response to the consultation document.

Rationale – outsourcing

- How does outsourcing food services provide a better response to the delivery of food services when much of what is proposed can be delivered by DHB internal processes?
- What happens if other DHBs (outside of 3 Auckland Metro DHBs) do not accept the proposal?
- If other DHBs do not accept the proposal how will this affect savings purported for the Auckland Metro DHBs? What impact will there be on jobs and service delivery?
- What is the robust analysis and cost-benefit information on alternative options including status quo (upgrading facilities, contract management, national standards and process)?

Savings

- Why are savings purported for WDHB and CMDHB higher than ADHB and how will these savings be achieved?
- What happens if the Business Case does not achieve anticipated savings?
- Where will savings go for the 3 Auckland Metro DHBs and how will we know it has gone into frontline services?

Costs

- What will be the implementation costs of the proposal and what are the small upfront investment costs required to transition to the new model?
- Who will meet the redundancy costs? DHBs or Compass?
- What are the redundancy costs for DHBs? Compass?
- Has there been an analysis of associated costs and impact on environment i.e. carbon footprint if high levels of distribution is required?
- What are the capital upgrade costs for each of the 3 Auckland Metro DHBs?

Employment

- How many jobs will be affected once service delivery is transferred to Compass?
- What commitment can DHBs and Compass give to redeployment opportunities?
- How will the proposed staffing model for the 3 Auckland Metro DHBs proposal achieve such a huge reduction in staffing levels given the biggest labour resource in a hospital production kitchen is the tray-line?
- Given that the DHB will have little in-house jobs available for food services, where is it envisaged for example that cooks will be redeployed?
- What consideration has been given to outsourcing and its impact on employment relations?

- Will Compass commit to an undertaking good employer obligations as per the KPI and ensure there is no deterioration of employment terms and conditions for staff as a result of any transfers under Part 6A?

Employee benefits

- How will the proposal benefit workers in a financial and non-financial way?
- What are these benefits and how will they be realised?
- What commitment can Compass give regarding training and upskilling of staff, regular hours of work and job security?
- What is Compass' track record with training and upskilling of all staff?
- What is Compass' relationship with ITO providers like? Do Compass recognise NZQA accredited training and qualifications?

Health and Safety

- What are Compass' health and safety and risk assessment policies? Are these policies communicated to all staff?
- What training processes will Compass provide regarding health and safety representative training and general health and safety induction? Who will deliver the health and safety training? How many trained health and safety representatives does Compass have. To what level?
- What recording systems for workplace or worker exposure to actual or potential occupational health hazards exist? Are outcomes recorded and incidents acted upon?
- Does Compass have worker participation structures for health and safety? if so, what and who are on these groups? Has a copy of the Employee Participation Agreement been provided?
- What plans have the DHBs and Compass put in place to meet their new shared responsibilities under the proposed Health and Safety at Work Act 2015?

Supply chain monitoring and auditing

- Who will monitor external third party suppliers in the supply chain to ensure food standards are met?
- Who are the suppliers? Where and how will food suppliers be sourced? What will be the process for sourcing food suppliers?

Service model

- Will the heating of meals on the wards create pressure on already busy spaces? Will unions be consulted on changes to ward space?
- What would happen to services at Auckland DHB if the contract with Compass fell over (steamplicity is patented by Compass)? would this mean ADHB pays for the use of steamplicity or would they revert to Cook Chill? Will Auckland DHB have the facilities and capability to revert if required?

Food standards

- Will patients know where the food was sourced? If so, how?

- How will we know Compass' food is up to standard given they have not provided their recipe and menu information for analysis?
- How will the food be tested for quality assurance and safety checks when they are reluctant to currently share the information?

Facilities management and capital requirements

- Who will be responsible for asset/facilities management and maintenance?
- If there is a sale or acquisition of current DHB equipment/facilities by a provider, will this acquisition be a part of contract negotiations?
- What will be the value or market price of the sale?
- Will there be consultation or opportunity for input by unions and public on sale of acquisition of public assets?
- Which facilities in the 3 Auckland Metro DHBs need upgrading? Which of these will Compass upgrade?
- Will there be instances of shared ownership? How will this work and who will manage the assets/ownership?

Risk management

- What risks for the proposal have been identified and what is the risk mitigation plan?
- What if a single provider contract were to fall over? Could DHBs deliver food services if the outsourcing approach had to be reversed? Would the DHBs be in a position to undertake food services as the equipment and facilities may be owned by Compass?
- What work has been done to identify the extent of legal, employment and cost implications for buying-out current contracts for service providers, supplier and procurement contracts?
- Which kitchen facilities will Compass upgrade?
- What is the role of the State in such an event - would the State be looking to underwrite and essentially act as an insurer as has been the case in the past?
- How can the state avoid carrying the cost when the public will expect these services to continue without break?

Contract management

- One function HBL will have as it undertakes contract management on behalf of the sector is to define strategy plans, standards and policies – who has authority and final signoff on the outcomes from this function? Who will have input? Will DHBs and unions have an opportunity for input?
- What is meant by “medium term” i.e. length of time of HBL in the contract management role? who will decide appropriate contract management if passed onto another Group?

Governance; evaluation plan

- Who is represented on the Food and Nutrition Council and the Food and Nutrition Advisory Group and what is the appointment process? What union representation is on these groups?
- Will there be an evaluation plan for the proposal? Who will be involved?

Appendix B

List of Key Performance Indicators for Compass Contract (if proposal is progressed)

Employment - good employer obligations: terms and conditions of collective employment agreements must not be undermined; no deterioration of pay or hours of work; ensure job security, redeployment opportunities for meaningful and appropriate work, redundancy support; access and support to training and upskilling opportunities; commitment that all staff receive access to NZQA qualifications

Unions – maintain good employment and union relations

Sector cooperation – co-operation with DHBs, unions and wider sector where relevant

Health and Safety - maintain strong health and safety standards and to ensure staff participate in health and safety training and worker participation mechanisms. Documented worker participation and risk management systems. Trained health and safety representatives. Trained health and safety committees. Low rates of workplace injury. Cooperation, consultation and collaboration with other PCBUs in the workplaces mapped out and agreed.

Supply chain audit - auditing and monitoring of third party suppliers. Compass must be co-operative with the independent audit of food suppliers in supply chain

Responsible contracting - adhere to responsible contracting principles

Transparency - fully transparent and open in providing information for auditing, monitoring and reviews

Local food supplier - food is to be sourced locally in New Zealand where possible. A quota for the use of local suppliers should be applied to ensure there is commitment to this KPI

Food standards - meet food quality and safety standards: disclose information about recipe and food source for auditing purposes. Food supply to patients is timely and error-free.

Consumers – inform consumers of origin of food source e.g. on menu and packaging so people can make an informed choice

Breach of contract - penalties for non-performance and non-compliance of contract and KPIs