

**Preferred Option A:  
Transformed in-house**

**Integrated Catering Services function  
Transformation Business Plan – June 2017**

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## **INTRODUCTION**

This business plan aims to show how the in-house transformation of Council Catering services will be implemented over a three-year period.

It will outline the preferred option of the Commissioning Review Team that looks to consolidate the existing school meals and social services catering functions into a single in-house managed service. It also proposes to manage:

- Centralised vending contracts for the Authority
- Existing staff catering functions at the Civic Centre, Guildhall & Pipehouse Wharf
- The development of commercial opportunities across the revised service structure
- Potential to include tendered sites managed by other services currently as the plan matures

## **SUMMARY OF FEATURES**

- i. A single managed in-house catering function
- ii. Development of commercial opportunities for staff catering provision
- iii. Review of management & staffing structure
- iv. Rationalisation of business support
- v. Revised operational processes in alignment across both areas i.e. menu preparation, ordering & purchasing
- vi. Revised billing & financial procedures for school meals
- vii. Rollout of online payments for school meals
- viii. Changes to existing school meals “product” with a view to increase take up of meals:
  - a. Re-brand of existing Captain Jack brand / identity
  - b. Better online presence
  - c. Use of social media
  - d. Holistic communications with schools & parents
  - e. Revised pricing strategy
- ix. Production of a catering strategy supported with action plans, changes in culture and focus on financial returns.

## **VISION & PURPOSE**

### Vision Statement

“To provide a modern, innovative service that offers independence and choice in provision, whilst retaining the requirements of a healthy and balanced diet. The service will be responsive and affordable which meets the complex needs of consumers both in schools and in care & support environments.”

### Outcomes to be met

1. To meet the continuous need for healthy and nutritious meal provision as part of a balanced diet
2. To assist with the development of social skills and provide opportunities for social interaction amongst service users and residents
3. To ensure the wellbeing of service users and consumers, and to safeguard vulnerable individuals with complex needs
4. To give consumer choice and independence in meal provision and meet a range of dietary requirements
5. To ensure holistic approaches are followed to link catering provision with other desired outcomes. i.e physical activity, safeguarding

### Key aims & principles

1. Providing nutritionally prepared menus in an ever changing environment
2. To increase uptake of school meals both free & paid
3. Achieving financial sustainability in all catering operations
4. Optimisation of resources across both service areas managed effectively
5. Offering continuous operational improvements incrementally
6. Co-ordinated approaches to promotional material and signposting of the service by working closely with partners
7. To allow choice and independence in all catering provision meeting the needs of all consumers
8. Shift towards a commercial culture for all aspects of the service
9. Greater emphasis on production of management information and use of performance metrics
10. To maintain affordable meals for all our customers and demonstrate value for money
11. Alignment of all catering operations and strategies to the councils priorities

### Transformation outline strategy

Timeline	Key activities
Immediate (initial months to April 2018)	<ul style="list-style-type: none"> <li>• Consultation with all staff and trade unions impacted by the integrated service model</li> <li>• Review of all contracts to identify gaps in provision (schools term time contract only)</li> <li>• Formation of marketing plan key to future of service</li> <li>• Develop brand identity with schools in light of challenges faced re. uptake and SLA buy back</li> <li>• Rollout of online payments in Primary Schools</li> <li>• Implementation of commercial opportunities within staff canteen</li> <li>• Further business case development of opportunities at Social Services establishments</li> <li>• Transition to “to be” business processes</li> <li>• Review of duplicated business support activities</li> </ul>
Medium term (April 2018 – April 2021)	<ul style="list-style-type: none"> <li>• Continual review of business model to maintain/improve performance and drive</li> </ul>

	<p>aspects of commerciality</p> <ul style="list-style-type: none"> <li>• Renewed emphasis on workforce planning &amp; rationalisation of workforce</li> <li>• Seek to increase local supplier spend to link to Council manifesto commitments</li> <li>• Retain schools in Catering Services SLA</li> </ul>
Long term (year 3+)	<ul style="list-style-type: none"> <li>• Explore opportunities for market development i.e bidding for contracts to provide catering to other public bodies</li> <li>• Explore opportunities to expand product range or diversify service</li> </ul>

## EMPLOYMENT & STAFFING

Service integration will have an impact on employment & staffing requirements going forward. The preferred option will look to:

### Review headcount

Current Education headcount – 532, Establishments – 95  
 Current Social Services headcount – 179, Establishments – 18

As part of the service rationalisation and a view to standardise operational practices, a review of social services staff requirements will be performed with a view to replicate the staffing templates used previously in Education.

### Review the management of casual hours contracts

Current Education – 108  
 Current Social Services – 119

The review will also encompass the permanent / full time equivalent per establishment that is required as part of a wider review of staffing resource across the service. The plan will look to reduce the number of additional hours as an output of this exercise.

### Re-grade current job descriptions

Currently, there is a difference in grade between kitchen assistants in Education (Grade 2) and Social Services (Grade 3). However, there are assistant cooks in Education paid Grade 3 – where duties and levels of responsibility may be the same but the job title may be misleading

The integrated service will perform a full review of job descriptions, duties and grades to ensure there us parity,

There is a risk that should be identified at this stage, and this is if the re-grading exercise results in an increase for Education kitchen assistants to a Grade 3 level.

## Create an additional “Finance and Business development” post

Additional resource is required to deliver a mixture of strategic and advisory functions to the integrated service and to support the leadership team of Alison Cosker, Head of Catering & Cleaning Unit and Julie Archer, Deputy Manager, Catering & Cleaning Unit to:

- Review and develop the business plan as the integrated services model grows in maturity
- Liaise with subject matter experts in the Authority to develop a robust marketing plan
- Deliver the necessary changes to the product mix based on the marketing plan
- Be responsible for the production of any marketing, advertising and promotional material on the advice of SME's.
- Develop business cases to explore new products and markets in collaboration with the Commercial Team
- Explore further income generation opportunities
- Focus on customer account management, to retain existing business
- To monitor progress of the integrated service model transformation and performance against agreed KPI's.
- Produce financial scenario plans in light of the number of variances that can affect the business
- Provide a pro-active role in budget monitoring
- Evaluate the benefits of the online payments implementation
- Be a SME for all financial matters locally.

Provision has been made in the financial appraisal for this post to be appointed to a Grade 8, temporary for 2 years. The total costs would be £37,490 at the bottom of the grade (SCP 31) and £39,733 at the midpoint of the of the grade (SCP 33) – Both include on costs of 35.5%

## **SOCIAL SERVICES TRANSFORMATION**

The business plan rightly focuses on all aspects of the integrated catering service, however the benefits realised are as much in social services catering operations as they are in increasing income in school meals.

Therefore this plan looks to:

- Rationalise and have greater management control of Social Services operations
- Adopt a synergy for resource allocations at each establishment
- Centralise business support functions
- Improve resilience in sickness and absence in Social Services catering
- Realise savings from reduced food costs and potential reduction of headcount
- Develop commercial opportunities incrementally as the business develops

The integrated service manager will work closely with the adult social care operations manager and business development officer to develop and implement the necessary changes.

## **MARKETING & PROMOTION**

The integrated service will produce a marketing plan that will be the cornerstone of how the business plan develops. It will be tasked with utilising our communication methods better in order to maximise brand awareness and signposting opportunities, in turn adding to the aim of increasing school uptake.

Additionally, it will seek to take a whole system view of clients, customers and consumers to ensure that the service works closer alongside schools to retain them in the SLA. This will naturally progress more holistic approaches to communications with parents from the service and schools.

Subsequently, the marketing plan will look at how a strategy can be developed over time to attract business in new markets.

The Finance & Business Development Officer will be responsible for leading on development of the marketing plan, working closely with communications, engagement & marketing colleagues. Any additional costs for advertising, design and paid for publicity will be factored into the financial appraisal as the business develops.

### Service USP

- Experienced
- Knowledgeable
- Trustworthy
- Reliable
- Resilient

### Growth strategies

<b>Existing products &amp; markets</b>	<b>Existing products &amp; new markets</b>
<ul style="list-style-type: none"> <li>• 1% year on year increase of school meal uptake</li> <li>• More of a commercial sales focus for staff catering</li> <li>• Develop internal vending provision &amp; room hire provision for external bookings.</li> <li>• Transform provision in residential homes and day services</li> <li>• Increase unit spend in Secondary schools</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a sales focus to win back previously opted out schools</li> <li>• Develop existing service to after school clubs</li> <li>• Increase take up of staff meals in schools</li> <li>• Seek additional markets outside of Local Authority boundary subject to having requisite powers</li> </ul>

<p><b>New products for existing markets</b></p> <ul style="list-style-type: none"> <li>• Transformed staff catering provision</li> <li>• Development of commercial opportunities at Social Services establishments</li> <li>• Upselling of ancillary services in one SLA i.e facilities compliance and management</li> <li>• Review of social services provision</li> </ul>	<p><b>New products for new markets</b></p> <ul style="list-style-type: none"> <li>• Training &amp; advisory service</li> <li>• Public sector contracts (TBC)</li> <li>• Others to be apparent as business develops</li> </ul>

### Branding

The marketing plan will look to re-brand the existing Captain Jack school meals brand or establish a corporate brand that represents the integrated service model. Whichever option is chosen it must quickly establish a brand identity and loyalty in its chosen markets.

### **FOOD SUPPLY CHAINS**

The integrated service is about to enter an All Wales Framework for various food & drink product categories via the National Procurement Service (NPS). This is a new framework that replaces the existing framework as part of the Welsh Purchasing Consortium (WPC)

The service will review whether the new framework will be utilised for the duration of the business plan and/or whether alternative supply chains are more appropriate for our product mix.

### Can Cook “CIC”

The Can Cook social enterprise currently in development have outlined in their business plan their product mix. This includes products in the food supply market.

These products compared to our current methods of food production are at opposite ends of the food production continuum with Can Cook proposing to supply ready prepared food products that require re-heating before sale to the consumer.

The review has proposed that catering services look to dovetail plans with Can Cook long term, however a shift to the current method of food production proposed by Can Cook is a completely different food production model.

Any collaboration will require further discussion as the business plan progresses.

## INCOME & COMMERCIAL OPPORTUNITIES

Integral to the preferred option business plan is the ability to generate income as part of a transformed service. The following appraisal will detail how income is to increase and is based on a number of assumptions:

### School meals

- The financial appraisal will assume the FSM budget will increase in line with the cost of increased FSM uptake to the catering service
- The meal price of £2.25 will increase by 10p per year for the next 3 years:  
2018/2019 - £2.35  
2019/2020 - £2.45  
2020/2021 - £2.55
- The free breakfast club funding continues to be delegated to schools and will use the previous funding formula to when the service was WAG funded. The financial appraisal will assume that the budget remains constant over 3 years.
- Secondary school paid income is based on the number of meals served from the biometric system x meal price. **Actual income is a lot higher than the figures stated.** Therefore, retention of additional unit spend in Secondary schools will increase income dramatically.

The latter point here illustrates the importance of Secondary schools to the School Meals SLA as the ability to increase unit spend from a cafeteria service can massively inflate income.

The table below illustrates the various income streams to the school meals service and how they will be affected by the proposals in this business plan:



<b>School meals service</b>						
<b>Income stream</b>	<b>Description</b>		<b>Budget 2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Free School Meals	The Free School Meal budget (FSM) continues to be delegated on the previous centrally held budget for free school meals. 10p additional price per year is added here to illustrate the effect on the FSM budget	Primary	£1,238,500	£1,322,942	£1,379,239	£1,435,534
		Secondary	£549,450	£586,913	£611,888	£636,863
"Paid" School Meals	Current uptake is at 37%. The business plan aims to increase uptake by 1% year on year. The figures here show the <b>gross</b> increase factoring in a price increase also. Increased costs resulting from uptake are shown in the revised budget allocations	Primary	£2,411,500	£2,601,680	£2,739,513	£2,879,843
		Secondary	£1,790,050	£1,931,220	£2,033,533	£2,137,700
School Breakfast Clubs	WAG funding is no longer applicable and is now part of the Revenue Support Grant (RSG). A budget delegation is made based on the previous years FSM entitlement at each school.		£530,100	£530,100	£530,100	£530,100
Staff & Visitor Meals	These budget headings are to remain. Meals for staff were previously bought by some schools but this market has diminished due to shrinking school budgets. The target will be kept to market staff meals charged at a higher price to reflect portion sizes. These can be paid online also to encourage take-up.	Primary	£90,000	£90,000	£90,000	£90,000
		Secondary	£50,000	£50,000	£50,000	£50,000
Functions Income	This element of the business has diminished in recent years, however the business plan will look to review whether increased marketing for buffets and hospitality can yield additional income		£23,000	£23,000	£23,000	£23,000
	<b>Total income</b>		<b>£6,682,600</b>	<b>£7,135,855</b>	<b>£7,457,273</b>	<b>£7,783,040</b>
	<b>Cumulative increase</b>			<b>£483,255</b>	<b>£774,573</b>	<b>£1,100,440</b>

## Commercial income streams & opportunities

The cross-cutting review has highlighted that commercial opportunities can be pursued collectively across school meals & commercial catering. The opportunities are described below with a financial appraisal to support.

### **Café Tawe Restaurant – Civic Centre**

#### Aims/Objectives:

- To transform the existing staff catering provision into a profitable service that realises an income stream for the Authority
- To increase sales / footfall to the restaurant
- To modernise the service to meet market trends and consumer needs (staff)
- To develop and change the product range as part of the business case
- To align the environment to the office relocation / agile working programme by having a synergy in the furniture and ambience of the restaurant
- To enhance the offer for “services to staff” when selling commercial office space in the building

#### How will this be achieved?

The implementation plan will focus on 3 broad themes to transform existing provision:

#### *Development of a staff hub*

With minimal investment, the opportunity is available to transform the environment of the Café Tawe Restaurant into a “staff hub”. Currently, very few staff visit the canteen other than to purchase food so this initiative looks to increase footfall, link to staff wellbeing, and look at staff spend as a secondary purpose to visit the canteen. This can be achieved by:

- Installation of Wi-Fi
- Better use and investment in furniture
- Using space for sales pitches from external organisations
- Installing information screens and monitors
- Providing daytime to & music
- Displaying advertising, poster sites and staff information screens
- Providing space for informal meetings
- Promoting the area for use by visitors to the building for meetings etc

A quote has been received for adaptation works to the existing space for £21,513 which would see the space align to a similar theme to the newly established agile working areas:



Facilities management colleagues are leading on this aspect of the plan and are fully in support to develop the opportunity given the wider benefits to the office accommodation strategy.

#### *Customer convenience*

Methods to improve the current service and target an existing and new customer base to increase volumes using our catering service. The following options have been identified which are not interdependent on each other:

- Loyalty card / prepaid card scheme
- Additional payment methods i.e. chip & pin, contactless
- Cookery demonstrations by staff including healthy “taste and try” alternatives
- Payroll deductions (if viable)
- Removal of security lock to allow public access
- Pre-order function
- Scaling up of current Sandwich Bar / Trolley methods
- Improve kitchen equipment and presentation of products

#### *Product development*

This opportunity looks at what choice is currently available and where any development in new products provides a business case to develop further:

- Takeaway function for staff – for home/family
- Improved hot drinks function
- Corner shop style service selling convenience products i.e. bread, milk, newspapers, magazines
- Christmas hampers and other seasonal related items
- Ready meals
- Cakes, pastries and other high street café style products

NB Costs to implement a chip and pin / contactless payment device are negligible and the service are looking to implement this change ASAP. A lack of such devices were quoted as the main reason why staff do not use the canteen.

#### *Implementation plan*

The role of the Business Development Officer will be to deliver the changes as part of the implementation plan which encompasses the above opportunities as well as:

- Revise menus and identify savings in the food / staffing mix
- Work with marketing and communications colleagues to promote and signpost the service
- Develop financial projections as the business plan develops
- Scope further investment in the business on a spend to save basis
- Review future commissioning options for the service

**This opportunity proposes an October 2017 implementation to maximise sales opportunities from high levels of staff in work during the Autumn period**

### *Financial appraisal*

The current breakfast/lunch income split is 29%/71% and taking an increase of 30% in sales income, the lunch volumes would increase from 150 transactions to 273 in year one. Given that accommodation in the building is 1100, this shows there is still significant potential to increase sales volumes incrementally.

**Despite this however, a view must be taken after the initial trading period if the service does not eliminate it's subsidy in year one. Subsequently, it is proposed that the commissioning options are revisited if this scenario occurs.**

The service must deliver additional sales volumes as staffing costs have increased in 2017/2018 from £109,100 to £145,800

For the purposes of the financial appraisal, and to support a three year business plan 30% increase in additional sales is projected in year one, 20% in year two, and 10% in year three.

## **Swansea Council Vending**

### Background:

- Existing vending provision in the Council is de-centralised and is arranged at a service level.
- Not been reviewed strategically as a collective and income is negligible across the Council.
- Some machines not in locations where sales can be optimised
- Machines are unreliable and in need of a refurbishment or replacement

### Aims/Objectives:

- To establish an additional income stream to the integrated catering service
- To meet the needs of an agile workforce and modern ways of working by providing food and drink on the go
- To increase footfall and develop a brand recognition with the integrated service
- To target consumers that do not currently access the Café Tawe restaurant
- To utilise an additional sales platform to boost income

### Benefits:

- Machines offer convenience to staff and other consumers, are quick and can be open all hours
- They offer versatility and options exist to sell a wide range of products
- Social benefits would be realised where



staff/colleagues get together in communal areas

- They meet the needs of an agile workforce and modern ways of working

Proposal:

- To centralise all vending operations in the Authority to the integrated catering service
- To establish an income stream to support commercial catering operations
- To review further the commissioning options for vending service:
  - Fully managed service via a commissioned partner
  - Purchase of new machines
  - Purchase of merchandising equipment from high street chains. i.e Costa, Starbucks etc
  - Lease / rental agreement
- To work closely with colleagues to establish suitable locations for vending provision

*Financial appraisal*

The income stream is entirely dependent on each option:  
(information supplied from existing framework)

<b>Fully managed</b>	<b>Purchase</b>	<b>Rental</b>
No upfront cost	Machines in each respective category are typically priced between £2,000 & £3,000	Machines in each category tend to be priced between £70 & £100 monthly rental
Typical royalty based on £25,000 turnover is between 15% and 30% of sales	Further work is required to predict sales levels at each site to understand payback factoring in cost of managing the service	Further work is required to predict sales levels at each site to understand payback factoring in maintenance etc.

For the purposes of the financial appraisal it is proposed that the service has a net income target of £10,000 for the next 3 years for Authority wide vending provision.

The following table summarises the financial projections for these commercial income streams. A number of assumptions are made for the purposes of financial planning:

- Staffing costs are re-aligned using the same method as per the school meals service. Food costs are increased in line with 33% of turnover
- Average spend remains at £3.00 for a lunchtime transaction
- Staff catering functions aside from Civic Centre will forecast the same income projections as the same business case does not apply.

- Financial forecasting is for 2018/2019 onwards, however the implementation of commercial opportunities looks to be from October 2017.

<b>Commercial Catering</b>					
<b>Income stream</b>	<b>Description</b>	<b>Budget 2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Staff Catering Civic Centre	The target operating model will look to achieve sales increases (based on 2016/2017 sales of 30% in year 1, an additional 20% in year 2, and 10% in year 3. This is caveated in the business case above. The revised budget for the service is shown separately.	£155,000	£213,174	£255,808	£281,390
Staff Catering Guildhall	Income generation within the above business case is focused on increasing volumes not average spend. This opportunity is less in the Guildhall with increased competition and the building at capacity. Therefore no projections for additional income is made at this stage	£62,000	£62,000	£62,000	£62,000
Staff Catering Other	This income stream includes Pipehouse Wharf and the hospitality / buffet provision which has diminished in recent years. Therefore, targets have been reduced to reflect this	£33,000	£20,000	£20,000	£20,000
Vending Provision	As per the business case above, an initial net income target of £10,000 will be allocated over the length of the business plan.	£7,600	£17,600	£17,600	£17,600
Contact Centre Cafe	The current contract has been extended until May 2018 where further commissioning options can be revisited as per the Gateway 1 report. Therefore, the assumption will be made to budget for the current level of income	£31,100	£31,100	£31,100	£31,100
	<b>Total income</b>	<b>£288,700</b>	<b>£343,874</b>	<b>£386,508</b>	<b>£412,090</b>
	<b>Cumulative increase</b>		<b>£55,174</b>	<b>£97,808</b>	<b>£123,390</b>

## **ADDITIONAL COSTS**

The following items are examples of additional costs that are not attached to a specific proposal in the business plan but are factored into budget and financial planning for the duration of the business plan

### sQuid Online Payments Transaction charge

The integrated catering service in conjunction with the school funding and information unit have awarded a contract to manage online payments for school meals as well as other paid for activities in a school such as trips etc.

The online payments solution is in direct response to feedback from parents regarding more flexible payment methods and will contribute greatly to increasing paid meal uptake and reducing school meal arrears.

The contract value is made up of:

An annual licence fee: £49,575

A transaction charge of 1.2% anticipated to cost £21,000 per year

This effectively means that we must increase and maintain paid meal uptake by 2% assuming unit spend remains the same to payback this investment.

### Finance & Business Development Officer Post

As eluded to and detailed earlier in the report, the business plan proposes to appoint a Business Development Officer on a Grade 8 salary, 37 hours per week on a 2 year temporary post.

### Pay award

Additional costs have been added for stepped pension increases as well as a 3% uplift added to the total workforce budget. The LGA have advised local authorities to plan for a 3% increase in 2018/2019 for the lowest paid in the workforce due to a review of spinal points.

### Food costs

The service are about to enter a new framework for food supplies, however based on historical figures, projected food costs are derived at 38% of turnover

### Unforeseen circumstances

The above will all be taken into account when planning forthcoming budgets, however there are some scenarios which cannot be planned such as:

- Inclement weather and schools are closed
- Spikes in food costs because of changes in market conditions
- Power failure or appliance failure in schools



- Limitations on the number of trading days

## BUDGET PLANNING

### School Meals

The following assumptions have been made to budget projections for the following three year period:

- To be prudent, unit cost has been applied to meal uptake increase to show the increased costs from food & staff. However it is likely that only small concentrations of schools will require extra staff to produce additional meals, the more likely scenario is that food cost increases will be evident only.
- Staffing costs have been uplifted in light of the potential scenario on pay awards above.
- Food costs are derived as 38% of turnover based on historical performance.
- The additional costs of the Business Development & Finance Officer are included
- The anticipated cost of the online payments transactions fee are included
- Meal uptake is for all not just paid meals
- **Projections are based on 2016/2017 actual figures however, 2017/2018 budgets are shown below for illustration**

<b>School Meals (linear budget)</b>				
	2017/2018	2018/2019	2019/2020	2020/2021
	£	£	£	£
Employees	3,913,900	4,189,489	4,259,196	4,329,895
Transport	52,900	53,958	55,037	56,138
Supplies & Services	2,510,000	2,733,125	2,838,764	2,962,555
Internal Debits (SLA)	113,100	113,100	113,100	113,100
<b>GROSS EXPENDITURE</b>	<b>6,589,900</b>	<b>7,089,672</b>	<b>7,266,096</b>	<b>7,461,688</b>
Free School Meals (Primary & Special)	1,238,500	1,322,942	1,379,239	1,435,534
Free School Meals (Secondary)	549,450	586,913	611,888	636,863
Paid Meal Income (Primary & Special)	2,411,500	2,601,680	2,739,513	2,879,843
Paid Meal Income (Secondary)	1,790,050	1,931,220	2,033,533	2,137,700
School Breakfast Clubs	530,100	530,100	530,100	530,100
Staff & Visitor Meals	140,000	140,000	140,000	140,000
Functions Income	23,000	23,000	23,000	23,000
<b>GROSS INCOME</b>	<b>6,682,600</b>	<b>7,135,855</b>	<b>7,457,273</b>	<b>7,783,040</b>
<b>NET EXPENDITURE</b>	<b>(92,700)</b>	<b>(46,183)</b>	<b>(191,177)</b>	<b>(321,352)</b>
Cumulative reduction		46,517	(98,477)	(228,652)

Primary FSM budget	1,238,500	1,322,943	1,379,239	1,435,534
Secondary FSM budget	549,450	586,913	611,888	636,863
<b>Total FSM budget</b>	<b>1,787,950</b>	<b>1,909,856</b>	<b>1,991,126</b>	<b>2,072,397</b>
<b>Reduced cost to FSM due to Catering profit</b>	<b>1,695,250</b>	<b>1,863,673</b>	<b>1,799,950</b>	<b>1,751,044</b>
Cumulative reduction		168,423	104,700	55,794

### Summary

The projections show an increased cost to the FSM budget offset by a trading profit on the Catering account. It is necessary to show the effect on the FSM given that the business plan focuses on all meal uptake and increases in price.

The proposed changes outlined in this business plan show a healthy financial position to alleviate **significant known budget pressures** in the proposed pay award which will increase staffing costs by £120,000 in 2018/2019

The combination of meal price increase and meal uptake increases show the reduction in the cost of FSM to the Authority from 2019 onwards.

The reduction in cost to FSM would increase further if the following scenarios were to occur:

- Paid meal uptake rises above that of FSM uptake
- Unit spend in Secondary schools increases
- Paid uptake in Secondary schools increases
- Increased volumes result in food cost increases only

For prudence, these scenarios cannot be budgeted for in the business plan.

If the FSM budget is not increased in line with the additional cost for FSM uptake and existing delegation is used, then this will reduce the income shown in the Catering trading account, so the net effect is NIL.

### Commercial Catering

The following assumptions have been made to budget projections for the following three year period:

- Income levels remain constant at other commercial catering sites
- Vending income achieves £10,000 as outlined in the income projections table
- Unit spend remains at £3.00
- Food costs equate to 33% of sales when calculating additional sales
- Staff costs are to increase aligned to with the projections made for the school meals catering service
- Staff catering functions aside from Civic Centre will forecast the same income projections as the same business case does not apply.

- Financial forecasting is for 2018 onwards, however the implementation of commercial opportunities looks to be in October 2017.

<b>Commercial Catering (46107)</b>				
	2017/2018	2018/2019	2019/2020	2020/2021
	£	£	£	£
Employees	145,800	151,632	153,148	154,680
Transport	0	0	0	0
Supplies & Services	122,800	138,476	152,546	160,987
<b>GROSS EXPENDITURE</b>	<b>268,600</b>	<b>290,908</b>	<b>306,494</b>	<b>316,467</b>
Sales Income	224,700	295,174	337,808	363,390
Vending Income	2,000	17,600	17,600	17,600
Internal Charges	6,666	6,666	6,666	6,666
<b>GROSS INCOME</b>	<b>233,366</b>	<b>319,440</b>	<b>362,074</b>	<b>387,656</b>
<b>NET EXPENDITURE</b>	<b>35,234</b>	<b>(28,532)</b>	<b>(55,580)</b>	<b>(71,189)</b>
Cumulative reduction		(63,766)	(90,814)	(106,423)

NB the above table does not show the income for the Contact Centre Café, this is captured in a separate cost centre managed by Facilities Management.

### Summary

The projections show that with vending income, the staff catering function will turnover a profit in 2018/2019, however as indicated in the business case, the proposed changes will require to eliminate the subsidy in 2017/2018 of £35,234

The business case looks to implement the changes from October 2017 which will look to review the method of food production, product range, promotion & signposting and environment of the restaurant immediately.

The projections do not show changes in the food / staff cost ratio or change in food production methods that could be evident from a new menu and changes to how the service is delivered on a daily basis.

### **PROJECT SAVINGS**

<b>Year on Year increases</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>Known budget pressures</b>			
Pay award	120,416		
Pension contributions	38,259	38,642	39,028
Online payments implementation (not including licence fee of £49,575)	21,000	5,500	5,000
Transport costs	829	1,079	1,101
	<b>180,504</b>	<b>45,221</b>	<b>45,129</b>
<b>Project Spend</b>			

Increased staff only costs (meal uptake)	26,440	26,704	26,971
Commercial catering staff only costs	5,717	1,516	1,531
Appointment of Finance & Business Development Officer	37,490	1,107	1,136
Increased food only costs (meal uptake)	166,142	100,139	118,792
Commercial catering food only costs	16,234	14,069	8,442
	<b>252,023</b>	<b>143,536</b>	<b>156,872</b>
<b>Total Additional Expenditure</b>	<b>432,527</b>	<b>188,757</b>	<b>202,001</b>
<b>Project savings</b>			
Increase in paid meal income	234,574	240,147	244,497
Increase in FSM income (trading)	143,027	81,270	81,270
Increase in Commercial income	68,709	42,635	25,580
	<b>446,309</b>	<b>364,053</b>	<b>351,347</b>
<b>Net savings from Commissioning Review</b>	<b>13,782</b>	<b>175,296</b>	<b>149,347</b>
<b>Cumulative savings</b>	<b>13,782</b>	<b>189,078</b>	<b>338,425</b>

Savings associated with the review are included above but are diluted somewhat by significant known budget pressures. Figures throughout the financial appraisal are prudent for specific reasons mentioned above. The review should recognise that additional savings can be realised from:

- Increased unit spend in Secondary schools
- Further uptake increases for paid meals
- Food only costs rising with uptake as opposed to unit costs
- Reduction in staffing costs as part of a review of resource allocations
- Reduction in the number of casual hours contracts

## LEGAL IMPLICATIONS

The Local Government Act 2003 (“the Act”) gives Local Authorities the general power under section 93 to charge for discretionary services which are not covered by any other specific legislation with the following restrictions:

- The recipient of the service must have agreed to its provision and agrees to pay for it.
- Charges may be set differentially, so that different people are charged different amounts, i.e concessions
- The income from charges for a service should not exceed the cost of providing that service (over a “reasonable” but unspecified period e.g. 3 years).

The Act suggests that the Catering service can include the cost of financing any capital investment, and an allocation of overheads and other non-chargeable central costs such as the cost of the authority’s “corporate and democratic core” functions. There is no definition of “the service”, and there is scope for a reasonably broad approach, so

that the costs could cover a wide range of service-related expenditure, not just the marginal additional cost of the particular transaction for which a charge is to be made.

### Implications for the Integrated Catering Service

- Catering is a discretionary service, albeit the Local Authority has a duty to ensure FSM provision is maintained.
- Income from paid school meals can offset the cost of FSM, and this is seen in local authorities in England.
- Charging structures can be reviewed and set differently. For example, a different pricing split between Primary meals and Secondary meals. This is easily justifiable given the different sales mix and portion sizes.

## **COUNCIL IMPLICATIONS**

The features summarised in this preferred option have several implications for the Council going forward:

### Joint working / Collaboration

Whilst the integrated model looks to integrate the workforce, social services will retain budget responsibility for catering in residential homes and day services. Social Services will also look to the Head of Catering & Cleaning expertise to review efficiencies and effectiveness of their operations.

### Marketing & Commercial

As indicated above, the new Business Development Officer will seek support of subject matter experts with marketing and commercial knowledge to develop the business. Resource will require to be allocated in an advisory capacity.

### Business support

It is proposed that business support activities currently within the Adult Services support team will transfer to the Head of Catering & Cleaning support team. These functions include all HR, training & purchasing activities.

This will be a transition in the initial period, with a wider review of business support corporately likely to revisit this part of the business.

### Income collection

The plan will review where the income collection functions are best placed in the Council (currently with Facilities Management). Comparisons showed us that invoicing and debt management functions sit with the school meals function in other Authorities.

## Schools SLA

The plan will review what constitutes the school meals SLA as the comparison showed us that kitchen management and compliance functions are included as part of the school meals SLA.

The service will also focus on added value in the SLA and greater emphasis on the services USP to demonstrate the benefits of buying into our service.

## **SCHOOLS IMPLICATIONS**

### Communications

The review has highlighted the need to work closer with schools when issuing communications with parents. Features such as holistic messages around payment information, arrears policies, nutritional information and promotional material are important to consider. This is a key aspect of the business and cannot be underestimated.

### Online payments & reconciliation

The new online payments system to be launched from September will assist the school clerks with income collection and notifying parents when payments are due. It will also have the functionality to implement any changes if the Council explores any amendments to the debt policy in future.

The service will also work closely with schools to standardise debt recovery processes in light of the current level of arrears.

### Buy in

The service will recognise the difference between schools as customers and pupils as consumers. The new business development officer will be responsible for developing the relationships with schools along the principles of account management.

The buy in of the schools is critical to any joint marketing opportunities, as they often are in contact with parents in respect of the school meals service.

## **CONCLUSION**

By following this business plan the integrated catering service is able to meet the challenges it faces and improve outcomes for all service users. It will sustain the service in light of budget pressures and allows focus on significant income generation opportunities and savings from rationalisation. The plan outlines a range of ways in

how this will be achieved and demonstrates continuous improvement and modernisation of the service.

In the medium term the service will have developed its brand loyalty by increasing uptake and be a trusted partner of schools. It will have made more efficient and effective use of resources in Social Services and aligned provision to the needs of service users. Commercially, catering will be sustainable financially and add value to the Councils staff accommodation as ancillary services to staff

The review team recommends:

- That CMT/Cabinet recognises the financial risk associated with Secondary School dropout and known budget pressures.
- That CMT/Cabinet recognises the change in financial position from this review
- That this preferred option is adopted as the outcome of the “All Council Catering Commissioning Review and is approved to proceed to Cabinet on 17<sup>th</sup> August 2017
- The CMT/Cabinet endorses the view that staff catering functions should operate at a cost neutral position as a worst case scenario
- That the post of Business Development Officer is created subject to Cabinet approval
- The commercial opportunities are viable and can be progressed subject to Cabinet approval.