

**18th June 2007**

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**REPORT BY DIRECTOR OF TECHNICAL SERVICES**

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**CATERING AND CLEANING TRADING OPERATION OUTTURN 2006/07**

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**1 Purpose of Report**

- 1.1 To update the members of the Trading Operations Sub-Committee on the 2006/07 financial year outturn of the Catering and Building Cleaning trading operation and an update on current issues for 2007/08.**

**2 Background and Financial Position**

- 2.1 Appendix 1 provides an analysis of income and expenditure for 2006/07 compared to budget.
- 2.2 Income for the year of £4,547k is £39k less and expenditure of £4,550 is £18k less than previously reported and this has resulted in a deficit of £3k and a variance of £21k from the surplus projected at the February Trading Sub Committee. There was a late adjustment to the accounts, reducing expenditure by £3k that would have resulted in a break-even position; but due to the relatively small nature of the adjustment in relation to the overall accounts closure timetable, this was not reflected in the accounts.

This variance can be attributed to the reduction in income in High Schools as a result of the full implementation of Hungry for Success and a reduction in external cleaning contract income due to loss/reduction in contracts compared with the budget projection.

The key drivers to the trading position are income, food costs and staff costs.

To address the reduction in income the service is investigating the promotion of the cleaning service, a review is ongoing and further development of menus and choices in an effort to increase take-up. Furthermore the APSE review has undertaken extensive consultation to a number of groups.

To ensure value for money in food costs, Appendix 2 shows a project plan for the review of procurement costs following the new tenders implemented in the third quarter of 2006/07 and finalising early information on the new tenders (see paragraph 3.4).

In respect of staffing, optimum core and additional staffing hours are being benchmarked as part of the APSE review process; alongside productivity levels (e.g. staff time per meal).

Initial work to break down the total budgets into specific activities and units (internal and school cleaning, school catering, staff restaurant/function catering and external contracts) has commenced to identify the trading surpluses and deficits for each part of the service, and whether this has budgetary or financial implications. This work is

requiring further analysis of allocation of management costs, and full reconciliation to the financial system. Indications show that for 2006/07 schools catering made a small surplus while internal and school cleaning, staff restaurant/function catering and external contracts made small deficits. This work will develop towards reviewing individual school and contract profitability and planning to move towards break even for all areas of the business. For 2007/08 monitoring reports this information will be provided to subsequent Trading Sub-Committees.

### **3 Business Update**

- 3.1 Service managers from the Education and Lifelong Learning (ELL) and Technical Service departments met with HMIE Inspector Lesley Kirkwood on the 5<sup>th</sup> June to review the progress of the Scottish Executive Hungry for Success programme in schools in the Scottish Borders and to present the inspector with our 7 point action plan for 2007/08.
- 3.2 A workshop was held on the 22<sup>nd</sup> May and was attended by the ELL Hungry for Success Team and the Catering and Cleaning Team to review and improve the Primary School Menu. An action plan has now been developed for planning the menu for the Autumn /Winter 2007/08.
- 3.3 A workshop will be held on the 12<sup>th</sup> June to develop the High School Menu and will be attended by the High School Catering Managers, ELL Hungry For Success Team and the Catering/Cleaning team.
- 3.4 Tenders for the supply of fresh meat and fish, fresh fruit and vegetables, dairy products and eggs have now been issued to all interested suppliers and the closing date is 22<sup>nd</sup> June. A procurement open day was held on the 19<sup>th</sup> March when local supplier, farmers and growers were invited to meet procurement officers and catering managers to learn all about the tendering process and to network with each other.
- 3.5 As part of the APSE Best Value Review, Head teachers were invited to complete service review questionnaires for Catering, Cleaning and Janitorial Services and this information will be used to feed into the Best Value Review Report and Recommendations. The APSE Best Value Review is expected to conclude its findings in August.
- 3.6 A workshop was held on the 30<sup>th</sup> May to review all Hospitality and Function Catering Services provided to schools and departmental clients within Scottish Borders Council. The workshop identified inconsistencies in service standards and menus and further work will be carried out by the Hospitality coordinator to determine new menus and set service standards and presentation as well as determining service equipment requirements and carry out training.
- 3.8 Phase 3 of the refurbishment under the Schools Fund Capital Grant was implemented by 31 March 2007. In relation to the Hungry for Success refurbishments of Drumlanrig PS, Lilliesleaf PS and Ayton PS, work is currently ongoing and planned to be executed by the close of 2007/08. Funding is also secured for improving furniture in the Secondary Schools.
- 3.9 A report on detailed proposals for the introduction of Smartcard technology and the Catering and Cleaning Management Information System will be taken to the Executive on 14 August 2007.
- 3.10 'HACCP' Food Safety training took place in the second week of March, and the full training skills audit is to take place on the 19<sup>th</sup> and 20<sup>th</sup> June, to be undertaken by and

external specialist.

#### **4 Issues and Risk Commentary**

4.1 There are several risks that are associated with the service, that are being mitigated as far as possible with the actions set out in the 2007/08 Business Plan (see Appendix 3).

4.2 Risks include:

Continued loss of income through loss of external contracts and reduced take-up.

Pressure to deliver more attractive menu options to improve take-up having an impact on food costs.

Need to improve the link between understanding the operation and its impact on finances.

The level of business change and improvement that may be recommended through the APSE review, and also changes such as business transformation/single status and the Children's services review.

#### **5 Consultation**

5.1 The Heads of Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report. Head of Corporate Finance has also been consulted and his comments will be tabled at the meeting.

#### **6 Equality**

6.1 There are no equality issues directly associated with this report.

#### **7 Environment**

7.1 There are no environmental issues directly associated with this report.

#### **8 Financial Implications**

8.1 The Catering and Cleaning Service made a reported deficit of £3k in 2006/07 compared with a projected surplus of £18k.

#### **9 Summary**

9.1 The service achieved a turnover of £4.54m during 2006/07 – very close to a break-even position. There are a number of business changes and improvements currently being jointly sponsored by the Technical Services Department and the Education and Lifelong Learning Department.

#### **10 Recommendations**

**10.1 I recommend that the Trading Operations Sub-Committee:**

**(a) Agrees the content of this report.**

##### **Approved by**

Name	Designation	Signature
Callum Hay	Director of Technical Services	[insert signature]]

##### **Author(s)**

Name	Designation
<b>Vivianne Buller</b>	<b>Catering and Cleaning Manager</b>

**Background Papers:**

**ADD AS APPROPRIATE**

**Previous Minute Reference:**

## Appendix 2

# Procurement Costing Review Timetable

<b>Task</b>	<b>Timescale</b>
Review of food costs per meal and comparison with APSE benchmarking position	July 2007
Review of 2006/07 costs prior to and post new contracts in October 2006 for production kitchens	July 2007
Review of 2006/07 costs prior to and post new contracts in January 2007 for DMS kitchens	July 2007
Quality assessment of new food contracts	October 2007
Analysis of reasons for cost variations	October 2007
Reconciliation of differences between actual costs and contract estimates	October 2007
Review of impact of changing meal numbers and wastage on procurement costs	October 2007
Using corporate 'benefits realisation' methodology with Corporate Procurement Unit to develop ongoing monitoring arrangements	December 2007
Establish estimated implications of newly tendered contracts on overall costs	December 2007
Implementation of plans to provide further guidance on procurement to unit managers to ensure management of costs	December 2007