

23rd June 2008

REPORT BY DIRECTOR OF TECHNICAL SERVICES

CATERING AND BUILDING CLEANING TRADING OPERATIONS

1 Purpose of Report

- 1.1 To update the members of the Trading Operations Sub Committee on the 2007/08 financial year outturn of the Catering and Building Cleaning trading operation and an update on current issues for 2008/09.**

2 Matters Arising from previous Trading Sub Committee

- 2.1 Ipsos Mori Scotland are monitoring the progress of the free school meals pilot and collating all the information from the 5 Councils who took part in the pilot. An initial observation from discussions with the other councils and Ipsos staff themselves is that the take up of free meals in Scottish Borders is broadly in line with the other Councils. When the report is published the findings will be shared with the Trading Sub Committee.

3 Background

- 3.1 Catering and Building Cleaning trading operations provides school catering and cleaning service, internal and external cleaning contracts to a range of buildings, hospitality catering and specialist cleaning services.

4 Business Performance and Update

4.1 Workload:

4.1.1 Scottish Executive Free Meal Pilot for Primary 1 - 3

The pilot has been very well received in schools and by parents and pupils. The impact in terms of uptake is not as significant as assumed by the Scottish Government however factors such as going home for lunch and menu selection on the day still have a bearing.

The uptake data set out below, is based upon two census checks in October 2007 prior to the pilot and February 2008. We are currently validating weekly information provided by schools broken down by year group to provide overall weekly uptake.

The % uptake is based upon pupils taking meals against pupils present on the day.

October 2007 Baseline

% of school roll present on day = 94.3%

Uptake (as % of pupils present)

P1 – P3 = **38%**

P4 – P7 = **37%**

Total School Uptake = 37%

February 2008 Uptake

% of school roll present on day = 94.8%

Uptake (as % of pupils present)

P1 – P3 = **67%**

P4 – P7 = **40%**

Total School Uptake = 51%

It highlights a 29% increase in P1 – P3 uptake and shows a slight impact upon P4 - P7 uptake.

4.1.2 **APSE Review**

Service Improvement Plans have been developed for both the Catering Services and the Cleaning Services. The Catering and Cleaning review is to be discussed as part of a paper on the review of Technical Services structure being submitted to the APWG on the 17th of June. Catering and Cleaning Services will report back to the next Trading Sub Committee on the outcome of the paper presented to the APWG. It is intended that the new Catering and Cleaning Services structure will cost less than the existing structure.

The Key Objectives are

- Organisational restructuring and development of key resources - Its people.
- Strategic decision making by establishing corporate and political service priorities including funding and investments.
- Operational Priorities.
- Improving Communications.
- Systems and Procedures.

4.1.3 **Cashless Catering**

A report was submitted to the APWG on the 15th April 2008 detailing progress to date and implementation plans. This report was subsequently submitted to the Executive on the 29th of April where some funding issues were raised. These funding issues have now been resolved, and the projects funding proposals were approved on the 8th of May. The project is now out to tender. The overall project remains on track as per the implementation plan submitted to the APWG.

4.2 **Budget :**

As part of the revenue monitoring of the Catering and Cleaning services an operating deficit of £58k was uncovered in the Staff Restaurant for 2007-08. This remains a source of concern and potentially a significant budget pressure in 2008-09. Corrective actions and solutions have been initiated although the solutions to the operating deficit are not straightforward. We will report back to the next Trading Sub Committee with a SMART action plan to address this issue.

4.3 **Updated Projections:**

There is a trading deficit of £36k for 2007-2008. There are a number of reasons for the budget deficit.

Provision was made in the 2007-2008 budget for an inflationary uplift of 2% for the Cleaning Services for Council Departments, even though staff cost, which make up 85% of the total costs were running at 2.5%. This created a gap of approximately £7k in 2007-2008. In future charges will have to cover all the inflation costs to ensure that sufficient income is recovered. The costs of using cleaning agency staff have also

substantially increased in one cleaning area and this is to be investigated to ascertain the reasons. The additional cost of using agency staff is currently borne by the Cleaning Service and is not passed onto the Council Departments.

The full year effect of the introduction of the Hungry for Success nutrition standards has created a fall in income in High Schools because pupils prefer to leave school at lunch time to get their "fix" of chips and other unhealthy snacks from the shops in the local high streets. In addition the High School tariff has been fixed for the past three years so a new tariff will be introduced into High School from the commencement of the school year in August 2008 in an attempt to recover some of the lost income.

The Catering Service and the Education & Lifelong Learning Department are working closely on a project to review High School Catering in order to woo pupils back into the dining room. The introduction of the Cashless Catering system should also help to retain some of the income that is currently spent in the High Street.

Food Costs are running higher than the 2% inflation base and are closer to 3.5%. There also appears to be a problem with the costs of the DMS - Cook Freeze food, as these costs have risen by 5%, so there is to be an investigation into this contract and the purchasing habits of the School Cook Managers.

Monitoring of the Catering and Cleaning Services income and expenditure costs has uncovered that the Staff Restaurant had an operating deficit of £58k for the 2007-2008. This deficit was spiralling and would have been much larger had it not been for the work of the Catering Direct Line Manager who exercised tight control over the remaining year's food and labour costs.

Technical Services need to make arrangements to ensure the deficit which is in effect a subsidy is recovered in some way. Various proposals are currently being prepared in order to ascertain if tariff increases would increase the revenue and reduce the subsidy. This would require considered opinion and the views of all the Council employees who use the facility would need to be taken into consideration before such a decision is made. Putting up the prices might not have the desired effect and could even reduce the number of customers using the facility and create an even bigger deficit.

4.4 **Resources:**

There are no resources issues directly associated with this report

4.5 **Staffing:**

The management restructuring is progressing and the posts for Catering Services Manager and Cleaning Services Manager have been advertised. Three staff have been offered early retirement /severance packages and the nine remaining staff will be appointed into the new management structures.

4.6 **Training :**

Two training courses have been arranged for the School Cook /Catering Managers on Food and Nutrition for Children and Kitchen Health and Safety Risk Assessments.

4.7 **Health and Safety :**

Training on Health and Safety Risk Assessments has been arranged for the School Cook/Catering Managers

5 **Financial Implications**

- 5.1 There are no financial implications directly associated with this report, except as reported above.

6 Consultation

6.1 The Heads of Corporate Finance, Financial Administration, Corporate Administration, and Legal Services have been consulted and their comments have been incorporated into the report.

7 Equality

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

7.2 There are no rural proofing issues directly associated with this report.

8 Environment

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

9 Risk Commentary

9.1 The significant organisational changes which are affecting all the services continue to place significant demands on the whole team as they continue to deliver services.

The APSE review has both helped to identify and alleviate risks to the service.

10 Future Activities

10.1 The key issues for the next six months will be the organisational changes and the appointment of two senior managers to lead the newly created Catering Service Team and Cleaning Service Team. Once these managers have been settled into their posts the services will be able to move onwards and upwards. All the work required to improve both these services are in the Service Improvement Plans.

11 Summary

11.1 Catering and Building Cleaning Services generated a trading deficit of £36k for 2007-2008.

12 Recommendations

12.1 I recommend that the Group:

(a) Notes the contents of this report.

(b) Approve the outturn as the final position for the Catering and Building Cleaning Trading Organisation in 2007-08.

Approved by

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

Author(s)

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Background Papers:

ADD AS APPROPRIATE

Previous Minute Reference: