

### Catering Service Review - Assessment of Options

<b>Option A – Stop trading the catering service (Preferred option)</b>
<ul style="list-style-type: none"> <li>- CE to exit the market and require schools to establish their own catering arrangements.</li> <li>- TUPE arrangements would be required to be satisfied.</li> <li>- Approx 1 – 2 years to fully implement.</li> </ul>
<b>Pros</b>
<ul style="list-style-type: none"> <li>- The cost saving for this option would be fully recovered and achievable within 1-2 years.</li> <li>- To close the service internally would provide the most assured way to achieve budget neutrality. This option would provide the maximum reduction to our overheads and release all budget responsibility.</li> <li>- We would be removing ourselves from a highly competitive, non-statutory commercialised industry, where we do not have the expertise, allowing us to focus on high priority statutory areas.</li> <li>- This option would transfer responsibility to schools to provide/commission their own catering service.</li> <li>- This option provides the simplest long term logistical solution for Cheshire East.</li> <li>- This option would be more likely to support schools to access cheaper school meal provision.</li> </ul>
<b>Cons/Risks</b>
<ul style="list-style-type: none"> <li>- Removing the service may not be supported by members.</li> <li>- Without proper communication, this option could be expressed as Cheshire East neglecting the community and abandoning schools/extra care provision. There would be a risk of reputational damage if we were seen to be non-supportive or dismissive of vulnerable individuals/families who get free school meals.</li> <li>- There would be TUPE and ongoing pension costs incurred with this option.</li> <li>- It would be likely that those not eligible for TUPE would be required to be redeployed. This would increase the likelihood of redundancy fees and any HR issues which may arise in the process. Any redundancy costs associated with the service may be high due to the current makeup of the service.</li> <li>- We would lose control around the quality of food delivered in most of our schools – this may have wider impacts on the wider determinants of health.</li> <li>- Closing the service may be unpopular with internal staff. This would include catering service staff, who would be consulted on the plans, and their positions taken into account.</li> <li>- There is a risk that as schools are smaller bodies, without procurement departments, that their ability to procure on would likely not be as developed as the local authorities. This would impact how advanced their contractual agreement would be and may lead to unoptimised contracts.</li> <li>- Existing catering contracts would need to be taken into account, and if there were any wider impacts to reducing these contracts or terminating/not extending.</li> <li>- There is a risk that schools end up paying even higher costs in the private sector as we do not have access to accurate information around competitor prices.</li> </ul>

## **Option B – Retain the current traded service and ensure it is self-funding**

- Increasing the school meal/extra care charge to remove the council's subsidy of the service.
- Consideration would need to be given to the most appropriate pricing structure.
- The increase from the existing/pre-January price is likely to be significant and over 40% in some cases, which is very challenging for schools and parents/carers to manage.
- This would require yearly increases to match inflation and wage increases.
- There would be a need to restructure the workforce/management structure to facilitate service transformation.
- A detailed transformation plan and capacity would be needed to drive this.
- This proposal would align closely with the APSE recommendations and associated transformation costs, including the following priorities:

### **Priority One (workforce)**

- Recruit to all vacancies, management of absence to keep more staff in work, revised staff contingency planning and ongoing induction, coaching and training of new staff.
- Introduce a new management infrastructure.
- Review job descriptions to make sure they are fit for a modern service
- Re-visit rates of pay, particularly the differential between responsible and support grades in kitchens.

### **Priority Two (financial)**

- Fresh Catering requires trading information that is fit for a commercial catering organisation's use and the ability to conduct commercial sensitivity analysis of both SLA and tender pricing.
- Re-cost the service from the bottom up, offering greater transparency of pricing to schools and encourage schools to understand the importance of increasing uptake.

### **Priority Three (marketing)**

- Focus marketing on what the customer wants to support income, and reputation with both parents and clients.
- Conduct survey/market research with parents and repeat annually.
- Ensure new management, staff in kitchens that are remote and clients understand Fresh Catering's method of operation and rationale and that communication is two-way.
- Support clients to contract manage using the SLA in order to manage perceptions and expectations of the service.
- Ensure different forms of marketing/communications including traditional print, electronic and face-to-face marketing.

### **Priority Four (client focus)**

- Maintain accurate client (headteacher and school business manager) and stakeholder lists
- Conduct termly meetings that share objectives.
- Complete an annual report so clients know what the service has been working on
- Set up a partnership board for strategic issues

- Annual client satisfaction survey

#### **Priority Five (menu planning)**

- consistent involvement of the client and cook supervisor in menu planning for each school.
- Benchmark menus to see how other providers apply School Food Standards (nutritional guidelines) and Food For Life Served Here.

#### **Pros**

- This option is the closest to the 'status quo' in the catering service. It is also the most 'positive' in terms of its ambition to make the catering service the best it can be.
- Lowest 'transformation' cost to schools in comparison to the two other proposed models as most of the service transformation will be done by the catering service.
- Retaining the service internally would allow for more flexible use of it in the future if additional requirements were presented.
- Less impact on staff. Provides stability for around 270 Cheshire East employees on local authority terms and conditions (T&Cs) and pay grades.
- Provides quality assurance of school meals for the majority of primary/special schools in Cheshire East. Currently, food standards provided by the catering service are a highest standard than those provided by the private sector. There may be negative impacts on the community if these standards are not upheld.
- Potential for the service to produce a surplus/profit with the right business model.

#### **Cons/Risks**

- The implementation of the APSE recommendations have not yet been costed and would add further to the costs of delivering the service, certainly in the short term.
- This option would result in a significant increase in the pricing of the service and impact mainly on smaller schools and those who currently pay a lower price per meal if we moved to a standard price.
- There is a higher cost of delivering in house due to council pension costs and T&Cs.
- The workforce is currently understaffed, with limited capacity to deliver standard management processes.
- Continued Cheshire East terms and conditions will create a difficult environment to compete with the private sector on price. As 64% of the total budget expenditure of the catering budget is on workforce – having higher workforce on-costs will impact the competitiveness of the business.
- Training and development of the workforce would require significant recruitment drives, restructuring and training to realise this option.
- Recruitment to some of the positions could pose a significant risk, as acquiring the skills to implement the transformation will be a difficult challenge.
- The existing workforce may not be as highly trained in commercial skills to compete with private market competitors.
- APSE recommendations include 2 additional senior roles within the team to support these transformations, including 1 x G9 Commercial Manager and 1 x HR Manager. This would require resourcing and appropriate appointments if this transformation of the service was to be successful. This would increase the price of school meals etc further.
- The timeline to transform this element of the service could take up to two years or longer to create a surplus/profit.

- No certainty delivering this option is commercially feasible, as we may lose too many schools to the wider market – every school that drops out, increases the costs for other schools (the survey to schools is expected to gauge appetite to stay with CEC catering)
- Food inflation remains high, staffing cost increases all create a difficult market to obtain accurate forecasting for a route to profit. Complexities in committing to a price may cause additional frustrations amongst schools.
- Forecasting to profit relies on the retention of business, which is likely to be outpriced by the private market. During this period of high budgetary pressures, schools will have additional appetite for cost reductions and are less likely to continue to use the service with increased prices.
- Significant community backlash has been noted in other local authority areas when prices have been increased to similar levels that we are suggesting (please see: [Hundreds back fight against 95p Derbyshire school meal price hike - Derbyshire Live \(derbytelegraph.co.uk\)](https://www.derbytelegraph.co.uk/news/education/hundreds-back-fight-against-95p-derbyshire-school-meal-price-hike-1.1000000)).
- Cheshire East's proposed charge is likely to be higher than those charged locally. A national report suggests the average for school catering meals is £2.65 (please note these figures do not include project inflation and wage increases for 2024/25 and onwards).
- This option would impact on the extra care service, as two of their locations are currently catered for by the catering service. They currently pay the cost price for the meals; however true cost recovery is very difficult and would potentially impact on the adults budget.
- We may implement the transformation programme and still struggle to achieve a net positive budgetary position, which would have financial implications for the council.

### Option C - Outsource the service

- Work with an outside organisation to provide the service on behalf of the council.
- Cheshire East supported commissioning exercise (via catering service framework)
- TUPE existing staff into new roles
- Schools to hold budget and Cheshire East to support the procurement with internal resource.
- Approx. 1 – 2 years to implement

### Pros

- Significant reductions on the £1m budget deficit would be returned within a short time frame (1 – 2 years). The reductions would be a result of CE no longer holding the budget.
- The 'Catering Service DPS – 879' is currently active until 31 March 2025 ([Food and Catering | Catering Services DPS - 879 \(ypco.co.uk\)](https://www.ypco.co.uk/food-and-catering/catering-services-dps-879)). This would allow for effective procurement via DfE approved providers, reducing the need for an open procurement exercise to be completed.
- Cheshire East would remain as active players within the sector, providing us with the footing to continue to steer the direction of travel.
- With the close association between diet and life chances, it would be beneficial we retained some dedicated resource to monitoring the sector's performance and direction.

- Supporting a commission may help retain healthy relationships between schools and the local authority. This may occur by us demonstrating our continued commitment to supporting them to deliver.
- By providing support with a commission, or utilising Cheshire East established commissioning frameworks, it will provide continued assurance of the food and delivery quality in our schools. Currently, we follow school food standards, which although are not statutory – we could continue to enforce if we were so inclined.
- We would protect staff associated with schools and minimise redundancies by utilising TUPE regulations.
- In the event of a large commission, we would be able to utilise economies of scale to negotiate the lowest price.
- A commercial provider would likely have significant experience within the sector, meaning they would be experts in the food sector and the benefits that come with this in terms of delivery, efficiency, optionality, and pricing.
- We wouldn't be liable for any future redundancy payments for staff who TUPE to external organisations.
- This option may support schools to access cheaper school meal provision. In the event of Cheshire East continuing to deliver, there are significant financial requirements to ensuring this delivery. By facilitating schools to resource their own arrangements from the market, they will be able to reduce the financial burden school catering creates.

### **Cons/Risks**

- Cheshire East staff would still be involved in supporting a discretionary service.
- We would continue to have to have management and oversight costs, as we would need to resource staff to support the commission. This would prevent the budget from obtaining budget neutrality.
- There would be TUPE costs to the council in transferring the staff.
- A TUPE consultation would need to occur, creating delays and requiring staff resource to conduct the consultation.
- Management staff, not associated with school delivery, would be required to be redeployed or made redundant.
- If we supported the commission of catering suppliers, we would likely be reputationally responsible if any grievances were raised between the supplier and the schools.
- Conducting a procurement exercise with 87 schools would be a complex. This would require procurement resourcing and would also propose reputational risk if any issues arose.
- If we conducted the procurement, we would be required to satisfy public procurement regulations, causing additional timescales to be satisfied as well as assurance and insurance frameworks. Schools would need to satisfy these arrangements in the event of delivery, but if we chose to support this option then we would need to resource the exercise.
- There is potential we could see a drop in food standards if cheaper private sector providers are to find the opportunity attractive. This may have public health implications on our community.
- As schools will have to enter into contracts with their chosen provider, this is an additional requirement of schools in comparison to their current arrangements. They

will also have to manage the contracts and ensure they continue to achieve budget neutrality.

- Existing catering contracts would need to be taken into account, and if there were any wider impacts to reducing these contracts or terminating/not extending.
- Schools would be responsible for communicating this with pupils and their families, which could be a risk to our reputation if the messaging is not appropriate.
- Extra Care housing service currently use the catering team to deliver food in two locations (Oakmere and Willowmere).

#### **Option D – Do nothing**

- This option is not feasible as it would require Cheshire East to continue to subsidise, which our legal department have commented on as being in breach of the Subsidy Control Act (2022).
- This option would also result in continued financial pressures.

#### **Option E – ASDV/Teckal**

- Many of our schools are academies which would impact the 80/20 ASDV business differential.
- This option would require significant investment into service transformation, to supply the service with the commercial expertise and
- Continued Cheshire East terms and conditions will create a difficult environment to compete with the private sector on price. As 64% of the total budget expenditure of the catering service budget is on workforce – having higher workforce on-costs will impact the competitiveness of the business.