

**22 May 2024**

**Agenda Item 5**

## **REPORT OF THE CHAIRMAN OF THE PLACE SELECT COMMITTEE**

### **OUTCOMES OF THE SCRUTINY REVIEW OF THE CATERING AND FACILITIES MANAGEMENT SERVICE**

#### **Purpose of the Report**

1. To share the findings from the scrutiny task and finish review of the Catering and Facilities Management Service with the Place Select Committee.
2. To seek Place Select Committee's endorsement for the review's recommendations to be submitted to Cabinet for consideration.

#### **Information**

3. At the meeting of the Place Select Committee held on 20 December 2023 members received a report that provided an overview of the Catering and Facilities Management Service and its current operating context. The Catering and Facilities Management Service is a large and complex set of services, offering a range of services to a variety of customers. As a mainly Traded Service, the Service operates on a commercial basis and with the exception of County Enterprise Foods is expected to fully recover all of its costs. The report detailed how the Service had been facing significant financial pressure over a number of years with expenditure likely to exceed income by approximately £2.5 million in 2023/24.
4. As a result of the discussion that took place it was resolved:

***That further scrutiny work be undertaken through the establishment of a task and finish group to consider the issues being faced by the Catering and Facilities Management Service and to offer subsequent recommendations to the Cabinet Member for Public Health and Communities.***

***That the Chairman and Vice-Chairman, in consultation with officers create a scope that will determine the work of the task and finish working group.***

#### **Scoping the Review**

5. Subsequently work was carried out to "scope" the review. This work was carried out by the Chairman of the Place Select Committee, in consultation with the Interim Service Director -

Place and Communities. This work identified the key objectives for review as well as setting out the strategic context in which the issues involved would be considered.

6. As a result of the scoping work that was carried out, the key objectives that would guide the review were identified as being:
- To gain an understanding of the operations of the Catering and Facilities Management Service.
  - To gain an understanding of the current challenges being faced in the delivery of the Catering and Facilities Management Service.
  - What are the possible options for how Catering and Facilities Management could be delivered in the future?
  - To consider the potential impact of the various options for service delivery in relation to customers (e.g. schools) and employees.
  - To consider the potential impact of the various options for service delivery in relation to the Council's ability to deliver services within the financial envelope available.
  - Which of the options for the future delivery of services will ensure the most beneficial/least impactful way forward, whilst minimising the future financial and other risk exposure
  - What would be the future impact to the Council if the operating model remained unchanged?

Once the scoping document had been approved by the Chairman, it was circulated to all members of the Place Select Committee. At this point all members of the committee were invited to express their interest in being part of the review group or to nominate another member of their Group to take their place.

### **Link to Council Priorities**

7. The work of the scrutiny function should always focus on supporting the delivery of the Council's strategic priorities, which will in turn develop the provision of the best possible services to the residents of Nottinghamshire. The work that was carried out in scoping the review identified that it would support a range of strategic priorities, as well as the strategies and policies that underpinned them.

### **The Nottinghamshire Plan 2021 - 2031**

8. The Nottinghamshire Plan 2021-31 sets out the strategic vision for the future of the county and the Council. The activity in the Nottinghamshire Plan is built around achieving a 10-year vision for a 'healthy, prosperous and greener future for everyone'. This vision is supported by the ambitions that act as a framework for all Council activity. The scoping of the review identified that it would support the delivery of the following ambitions:

- Ambition 1: Helping our people live healthier and more independent lives.

- Ambition 2: Supporting our communities and families.
- Ambition 10: A forward-looking and resilient Council.

### **Medium-Term Financial Strategy**

9. The Council continues to operate in an extremely challenging and uncertain financial environment following a period of significant budget reductions and on-going spending pressures.

#### **The Review process.**

10. The members of the review group were:

- Councillor Mike Adams (Chairman)
- Councillor Tom Hollis (Vice-Chairman)
- Councillor Callum Bailey
- Councillor Richard Butler
- Councillor Anne Callaghan BEM
- Councillor Mrs Sue Saddington
- Councillor Jonathan Wheeler

11. Representatives from Unison that work with staff across the Catering and Management Service were also invited to attend from the second onwards review meetings, with a representative attending the second and fourth review group meetings.

12. The review was carried out using a variety of methods, including informal meetings, site visits and the consideration of written evidence. The different stages of the review are detailed below.

#### **Review Meeting One**

13. The first meeting of the review group took place on Tuesday 20 February. At this meeting members received a presentation from Mark Walker, Interim Service Director, Place and Communities and John Hughes, Group Manager - Catering and Facilities. The following issues were covered.

#### **The Catering and Facilities Management Service**

14. The Catering and Facilities Management Service provides a range of facility management and catering services to schools and other customers that offers a range of a package of efficient and responsive services that can be tailored to meet the specific customer needs. Services include:

- School catering
- Facilities management advisory and support services
- Building, cleaning, and hygiene services
- Ground maintenance and landscaping services
- County Enterprise Foods—a door-to-door delivery service providing hot meals to residents at home as well as frozen meals for schools.

15. The Catering and Facilities Management Service:

- has an annual turnover of £36million, with a projected shortfall (excluding County Enterprise Foods) for 2023/24 being projected to be £2.5million.
- contributes £1.5million each year to the Council's Corporate Overheads.
- employs 1,900 people (1,100 full time equivalents).
- is a discretionary service that the Council has no legal requirement to provide.

**Schools Catering**

16. The Catering part of the Service consists of catering in Primary, Secondary and Special Schools as well as the catering provision at County Hall. The school catering service provides a high-quality service and produces meals that meet Government standards for nutrition and at least 75% of each meal is freshly prepared. The meals provided by the Service are also healthy and use sustainable and locally sourced ingredients. Each school has a dedicated account manager to support and coordinate the service delivery within schools.

**School meal prices**

17. The average school meal price (as charged by schools) in Nottinghamshire is £2.95. This is comparable to the average school meal price seen in other comparable areas that the Service benchmarks against.

<b>Average School Meal Prices</b>	<b>£</b>
Hertfordshire (Primary)	3.15
Lancashire	2.65
Derbyshire (Primary)	3.25
Derbyshire (Secondary)	3.55
Hampshire	3.00
<b>Nottinghamshire</b>	<b>2.95</b>
Oxfordshire (Primary)	2.85
Surrey	2.70

18. Schools receive funding from the Government for the provision of Free School Meals, based on their reported numbers of eligible pupils. From December 2023 the funding received for each two course Universal Infant and Pupil Premium Free School Meal has been £2.53. For the period April to July 2023, 1,212,226 Free School Meals and 517,663 paid for meals were served by NCC school catering services.

## Facilities Management

19. The Facilities part of the Service offers a range of efficient and responsive services to Schools, Education Centres, Children and Youth Centres, Libraries, Social Services, Fire Stations, and the Council's own offices. These services include facilities management advisory and support services, building, cleaning and hygiene services and ground maintenance and landscaping services.

## County Enterprise Foods

20. County Enterprise Foods is the only supplier of hot meals delivered to homes for the whole of Nottinghamshire. The hot meal service includes delivery and a safe and well check where the services' trained drivers will check on each customer's wellbeing and report any concerns to their designated support contact. A survey of hot meal customers found that two thirds felt that they would be more likely to be in a care home without the hot meal service. There is also a frozen meal service offered, with both the hot and frozen services offering a menu of over 70 meal options. The Service also provides meals to other local authorities and businesses in South Yorkshire, Leicestershire and to Nottingham City Council, as well as providing prepared meals for some schools.

### Number of meals provided through County Enterprise Foods

21.	<b>Customer</b>	<b>Per Month</b>	<b>Per year</b>
	Hot meals	10,714	128,568
	Frozen meals	1,098	13,176
	Day services	2,825	33,900
	Schools	29,440	353,280
	External customers	26,856	322,272
	<b>Total</b>	<b>70,933</b>	<b>851,196</b>

## Financial Pressures

22. There have been many challenges for the Service in recent years that have increased its operating costs and that have in turn added significant pressure in the service delivery: Global events such as the Covid-19 pandemic, the war in the Ukraine and the UK leaving the EU have resulted in major changes to world food markets and have created significant workforce challenges. The price for food and non-alcoholic beverages has risen at the highest rates for 45 years.
23. Schools Catering, Facilities Management and West Bridgford Catering are all traded services, operating as a commercial business, with County Enterprise Foods being a budgeted service. Changes in market conditions and costs have put pressure on the Service's pricing strategy and its ability to recover its costs from customers.
24. For 2023/24 turnover of the Service is expected to be £36million, with forecast costs of £38.5million. Whilst it is the intention for the Service to break even, considering the financial

outturn of recent years and the current constraints, a budget provision of £2.5million has been allocated for 2024/25 to cover any potential deficits.

25. The majority of the deficit seen in the delivery of the Service comes from the delivery of the Schools Catering Service. This service operates in a very competitive market that has very low profit margins. School meal prices also have a ceiling level that can be charged due to numerous factors including competition from other providers and the need to consider and the cost-of-living pressures being faced by families across Nottinghamshire.
26. The service is currently unable to fully control its costs around food prices and its overheads. Unlike competition in the marketplace, It is further unable to fully control its staffing cost levels which are set with regard to National Joint Council for Local Government Services National Agreement on Pay and Conditions of Services combined with the Council's commitment to pay the Foundation Living Wage.
27. The move to the academisation of schools has also had an impact on the average costs involved in delivering the Schools Catering Service with many large schools becoming academies and no longer being customers as they look to the market to obtain services. As a result of the move to academisation of the larger schools and their move to obtaining services from other providers, the majority of schools now served by the Service are smaller and rural schools with modest pupil numbers where the unit cost of provision of the Service is naturally more costly.
28. The Governance processes that are involved in delivering a service within a Council, and that are not replicated in the market, also impact on the ability of the Service to react to external market pressures swiftly.

### **Benchmarking activity**

29. To ensure that the Services costs and charges for school catering are in line with those of other Councils that offer similar services, the Council benchmarks the school catering service against six other County Councils (Hampshire, Hertfordshire, Oxfordshire, Derbyshire, Lancashire, and Surrey).
30. The benchmarking activity that had been carried out over 2021/22 and 2022/23 on areas of service delivery that had included the cost of labour for each meal provided, the cost of food as a percentage the cost of producing a meal and the total cost of each meal, had shown that Nottinghamshire compared similarly to other County Councils.
31. After receiving the information, members of the review group took the opportunity to ask questions and to discuss the issues that had been raised.

### **Review Meeting Two**

32. The second meeting of the review group took place on Tuesday 5 March. At this meeting members received a presentation from Mark Walker, Interim Service Director, Place and Communities and John Hughes, Group Manager - Catering and Facilities. The following issues were covered.

## Workforce

33. The Service as a whole employs 1,900 staff (1,100 FTE), this is made up of the:

- Schools Catering Service that employs 769 staff with the majority of staff being employed on permanent contracts of between 11 - 25 hours a week.
- Facilities Management Service that employs 1264 staff with the majority of staff being employed on permanent contracts of between 1 - 15 hours a week.
- Landscapes Services that employs 38 staff with the majority of staff being employed on permanent contracts of between 26 – 40 hours a week.
- County Enterprise Foods that employs 68 staff with the majority of staff being employed on permanent contracts of between 16 – 40 hours a week.

34. Of the staff employed across all parts of the Service, 80% are enrolled in the Local Government Pension Scheme with 96% of staff being paid at NJE Grade 3 (£24,200 per year) or lower.

## Staff Demographics

35. Of the staff employed across all parts of the Service:

- 67% are aged between 46 – 65 years old.
- 83% are female.

## Supported Employment at County Enterprise Foods

36. Supported Employment provides opportunities for anyone over the age of 16 with a diagnosed Learning Disability, Autism or Asperger's to find paid employment. County Enterprise Foods employs a number of staff at the Worksop Production Centre as part of the Supported Employee scheme. Additional funding for the scheme is provided by the Department for Work and Pensions

## Contracts Overview

37. In total the Service delivers:

	Number of Customers
Schools Catering	224
Facilities Management Advisory and Support Services	10
Building Cleaning & Hygiene Services	388
Ground Maintenance/Landscaping Services	383

38. Across these contracts, three different types of contract are delivered, these are:

- **S4S – Services for Schools** – a general offer provided by the Council that offers a range of services (catering, cleaning, Landscaping, facilities management support) that are tailored to meet the specific needs of each school.
- **SLA – Service Level Agreement** – an individual agreement between the Council and customers that details the services and service standards that will be provided.
- **PFI – Private Finance Initiative** – a long term contract between a private party and the Council as a local government entity.

### **Property**

39. The Service has two main sites that are the Production Centre at Worksop and the Distribution Facility at Rainworth. These form part of County Enterprise Foods and are owned by the Council. The Facilities Management Service has 15 depots across the County that are used to store equipment and supplies, nine of these are owned by the Council, with the other six being leased. All school kitchens and their key assets such as appliances, are owned by the schools themselves.

40. After receiving the information, members of the review group took the opportunity to ask questions and to discuss the issues that had been raised.

### **Review Meeting Three**

41. The third meeting of the review group took place on Wednesday 6 March where members carried out site visits to the production centre at Worksop and to the distribution facility at Rainworth. Members were accompanied on the visits by Mark Walker, Interim Service Director, Place and Communities and Donna Baines, Food Development Manager. These site visits provided members with the opportunity to see how meals were prepared and distributed. At the end of the visit members of the review group were served a meal that had been produced by the Service.

42. Members of the review group also visited King Edwin Primary School in Edwinstowe where members had the opportunity to see a lunchtime service and to meet onsite catering staff.

### **Review Meeting Four**

43. The fourth meeting of the review group took place on Wednesday 13 March. At this meeting members received a presentation from Mark Walker, Interim Service Director, Place and Communities on a range of possible service delivery options for how the Catering and Facilities Management Service could be delivered in the future.



### Option One: No change

44. This option would be for the Catering and Facilities Management Service to carry on being delivered as it is a present with no changes to service delivery. The potential advantages and disadvantages of this option were noted as:

Advantages	Disadvantages
Ensures a high level of Council control and democratic involvement with the retention of policy making decisions (e.g. around prices, the foundation living wage).	External costs could not be controlled effectively and exposure and sensitivity to global factors would remain maintaining significant cost pressures on the Council. Significant business improvements could not be delivered within a local authority setting.
Staff would remain on local authority terms and conditions, with access to the Local Government Pension Scheme.	Projected deficits are likely to increase in the coming years for the delivery of non-statutory services.
No additional implementation work would be required	'Ceiling' on the prices that can be charged for school meals being below full cost of their production.
Would ensure continuity of service and would not cause disruption for customers and employees	Would be difficult to carry on delivering the current levels of service and quality due to pressures related to the cost of food production.
The Services' contribution to the Council's Corporate Overheads would remain the same.	The Service would be unable to trade its way out of pressures. Would not maximise on the opportunities and potential for the service to trade, grow, and to generate income.

### Option Two: Exit the market.

45. This option would be for the Council to exit the market completely and no longer having any role in the delivery of catering and facilities services. This would involve the Council ceasing to bid for new contracts, serving notice on all existing contracts, and closing all or some of the business. The potential advantages and disadvantages of this option were noted as:

Advantages	Disadvantages
Services would no longer present a financial pressure for the Council and the current financial risks of delivering the service would end.	Significant risk to the Council's reputation as school catering is widely viewed as being a Council responsibility.

No procurement process would be required and would not require a significant amount of Council resources to implement.	Many customers would be at risk of being left without service provision or costly provision (e.g. special schools and small rural schools).
	Greatly reduced influence in supporting the best outcomes for children.
	Prices charged would be dictated by market forces and as a consequence could impact negatively on children and families.
	Staff would be TUPE transferred to new providers and/or subject to redundancy. A risk that staff could be employed on less preferable terms and conditions in the future.
	There would be a significant impact on the budget for the central Council services with the need to reconfigure how these services would be delivered.

### Option Three: Outsourcing

46. This option would involve a non-permanent transfer of the provision of services from the Council with to another supplier or suppliers. The potential advantages and disadvantages of this option were noted as:

<b>Advantages</b>	<b>Disadvantages</b>
Allows the Council to partner with an experienced private sector/commercial provider with market expertise.	Loss of control and influence over service delivery with the Council still being exposed to all the financial and reputational risk.
Enables the transfer of some of the risk of operating the service to the outsourced supplier	May have a negative impact on schools and potentially disrupt the delivery of services. Staff may be resistant to transferring to an outsourcing partner.
Enables improvements in performance management	Reliant on the availability and supportive attitude of an outsource organisation.
Realises opportunities to reduce cost base or deliver a return to the Council through reduced contract price	There would be a significant impact on the budget for the central Council services with the need to reconfigure how these services would be delivered.

**Option Four: Transferring the Service.**

47. This option would be for the transfer of some, or all of the functions of the service to a new company that would be independent of the Council. The potential advantages and disadvantages of this option were noted as:

Advantages	Disadvantages
A transfer would provide complete operational independence for the Service.	Lack of control over the operation of any new supplier
Removal of ownership and control would reduce the associated risks to the Council.	Implementation costs could be high and may require substantial allocation of Council resources to establish.
Realises opportunities to reduce cost base and to potentially deliver a financial return to the Council.	Potential to negatively disrupt existing standards of services if transition was not carefully managed.
Staff may be able to retain their current terms and conditions or to be able to opt into the new supplier's terms and conditions.	Staff may be resistant to transferring to a new organisation.
Potential opportunities for the Service to grow geographically and expand into new services.	Staff transfer would mean a significant reduction in the contribution to the corporate overheads
	Would require a full procurement process to be carried out.

**Option Five: Forming a partnership.**

48. This option would be for the Council to form a partnership with another service provider in either the public or private sector through a Joint Venture. The potential advantages and disadvantages of this option were noted as:

Advantages	Disadvantages
The Council would be able to remove most of the financial risk exposure in the future with limited financial liability. Would enable service delivery to continue but in a more financially sustainable and efficient way.	The Council would no longer have full control over the new operation.
Costs could be reduced through economies of scale and the sharing of good practice. Overheads could be reduced by coming together with a larger, experienced, and well-established partner.	Staff could be resistant to transferring to a new organisation.

Could create a more flexible approach to dealing with the current financial pressures and how the service could respond to market forces. Procurement costs could be significantly reduced in a commercial setting.	There would be an impact on the budget for the central Council services with the need to reconfigure how these services would be delivered.
The Council would have a say in determining how the operation of the partnership would move forward.	Would need to complete due diligence, undertake negotiations, and put appropriate governance in place
Minimal disruption to the staff and customers. Staff would transfer across through TUPE and would maintain their current terms and conditions, including remaining in the LGPS.	Would require an in-depth procurement process to identify the right partner.
There is experience in setting up Joint Ventures within the Council (including the Arc Partnership)	
Potential for the partnership to generate income for the Council and for the business to expand and develop.	

49. After receiving the information, members of the review group took the opportunity to ask questions and to discuss the issues that had been raised.

### **Review activity and recommendations**

#### **The value of Catering and Facilities Management Services**

50. Members of the review group agreed that the services provided through the Catering and Facilities Management Service delivered significant social value to residents across Nottinghamshire as well as supporting the delivery of many of the ambitions in the Nottinghamshire Plan, particularly “Helping our people live healthier and more independent lives” and “Supporting our communities and families.”

51. Members of the review group noted with approval how the schools catering service provides healthy, nutritious, and varied meals to children that then enable them to develop and learn. For many children across Nottinghamshire, a school meal may be their only source of regular, nutritious food. Members agreed that by delivering high quality school meals that met high nutritional standards, the schools catering service played a significant role in improving the health and well-being of all children, but particularly for the children who may otherwise have limited access to healthy food at home.

52. The schools catering service aims to use as much locally sourced food and seasonal food as possible in the meals that it provides. During the site visits, members of the review group learnt how the schools catering service engages with schools and children on food education and

menu development in order for children to understand where their food comes from and for them to develop a good relationship with healthy food.

53. The hot meal service provided by County Enterprise Foods includes delivery of a hot meal and a safe and well check where trained drivers check on each customer's wellbeing and who can report any wellbeing concerns to their designated support contact. A survey of hot meal customers has also found that two thirds felt that they would be more likely to be in a care home if they did not have access to this service. For many customers, the hot meal service is more than just a meal, with the delivery of a meal bringing them regular social interaction. Members of the review group agreed that the hot service provided through County Enterprise Foods was a crucial preventative service in supporting many older and vulnerable residents with their physical and mental wellbeing and in maintaining their independence.
54. County Enterprise Foods also employs a number of staff at the Worksop Production Centre as part of the Supported Employee scheme. Supported Employment provides opportunities for anyone over the age of 16 with a diagnosed Learning Disability, Autism or Asperger's to find paid employment.
55. The provision of Facilities Management services in ensuring that a wide range of buildings and outdoor spaces are maintained to a high standard also support the wellbeing the thousands of Nottinghamshire residents and staff who use these buildings everyday.

***Recommendation One (a)***

***That the review group note the significant social value that is provided through the delivery of Catering and Facilities Management Services.***

**Catering and Facilities Management Services Staff**

56. The Catering and Facilities Management Service employs 1,900 staff who every day deliver vital frontline services that make a positive impact on the lives of residents across Nottinghamshire.
57. Every day in schools, facilities teams keep sites clean and catering teams provide fresh and nutritious meals that enable children to learn and develop. Elsewhere, County Enterprise Foods staff provide high quality meals that are a vital lifeline to many residents and that support them to maintain their independence. Across a wide range of buildings and outdoor spaces facilities and landscaping staff keep them clean, safe, and well-presented.
58. Members of the review group agreed that the staff employed across the Catering and Facilities Management Service were fundamental in the delivery of high-quality services that had a positive impact on the lives of Nottinghamshire residents. Members also agreed how the commitment and hard work of staff enabled the Service to meet its objective of placing residents, children, and customers at the centre of all of its activities.
59. During the site visits to County Enterprise Foods and to King Edwin Primary School in Edwinstowe, members of the review group saw at first hand the passion and commitment of staff from across the Service in delivering outstanding service to Nottinghamshire residents.

### **Recommendation One (b)**

***That the review group note their appreciation to all Catering and Facilities Management staff for the high level of service that they consistently provide to residents across Nottinghamshire.***

#### **Challenges being faced by the Catering and Facilities Management Service in service delivery.**

60. As already detailed there have been many challenges for the Service in recent years that have increased its operating costs, and that have in turn added significant pressure on how services are delivered. Global events such as the Covid-19 pandemic, the war in Ukraine and the UK leaving the EU have all resulted in major changes to world food markets and have also created significant workforce challenges. The price for food and non-alcoholic beverages has also risen at the highest rates for 45 years.
61. The service is currently unable to fully control its costs around food prices and its overheads. Unlike competition in the marketplace, it is also unable to fully control its staffing cost levels which are set with regard to National Joint Council for Local Government Services National Agreement on Pay and Conditions of Services combined with the Council's commitment to pay the Foundation Living Wage.
62. These changes in market conditions and costs, many of them being unpredictable and not fully in the Service's control, have put significant pressure on the Service's pricing strategy and the means by which it is able to recover its costs from customers across the business. As such, it has become increasingly difficult for the Service to be able to respond to these pressures as quickly and flexibly as is needed whilst also retaining its customers and remaining competitive within the market.
63. Whilst all three traded services, (Schools Catering, Facilities Management and West Bridgford Catering) have been operating at a deficit in recent years, the delivery of the schools catering service has been the most financially challenging part of the Service to deliver, with a deficit of £1.57 million for 2023/24 being projected, compared to a projected combined deficit of £592,000 for the delivery of the Facilities Management and West Bridgford Catering services.
64. Members agreed that that in the context of such significant and increasing financial pressures, many of which were related to food production costs, it would be very difficult to for the Service to continue to maintain its current high level of service. Members noted with concern that these pressures in schools catering could make the provision of the healthy and nutritious meals that supported the delivery of the best outcomes for children more difficult to provide in the future.
65. It is the intention for the Catering and Facilities Management Service to break even each year, however considering the financial outturn of recent years, a budget provision of £2.5million has been allocated for 2024/25 to cover any potential deficits.
66. Members noted with concern how it had been projected that the deficits being faced each year by the Service would not only continue but had the potential to increase in future years with there being little that the Service could do in its current configuration to effect that.

### **Recommendation One (c)**

***That the review group note the current and unsustainable financial pressures that are being faced by the Catering and Facilities Management Service.***

#### **How the Catering and Facilities Management Service could be delivered.**

67. Members of the review group having considered the significant financial and service delivery pressures being faced by the Catering and Facilities Management Service, as well as the current challenging financial position of the Council following a period of significant budget reductions, on-going spending pressures and the Covid-19 pandemic, agreed that despite the significant work that had been carried out to date to create efficiencies and savings within the Catering and Facilities Management Service, that the current service delivery model for the Service would be very difficult to maintain into the future.

#### **Maintaining the current service delivery model of the Catering and Facilities Management Service.**

68. Members agreed that whilst there were numerous benefits of continuing with the current delivery model of the Catering and Facilities Management Service, including the continuation of a high level of democratic involvement around decision making, the continuity of service for customers and staff, and maintaining the Service's substantial contribution to the Council's Corporate overheads, that due to the significant pressures being faced, continuing with the current delivery service delivery model would become increasingly difficult to maintain into the future, for not just the Service, but for the Council as a whole.

69. Members agreed that in order for the provision of these important services to be sustainable, and to continue to be able support the delivery of the ambitions of the Nottinghamshire Plan that alternative options on how the Service could potentially be delivered in the future should be explored. Members of the review group also noted that for as long as the Service continued to require funding to cover its deficits, that this could negatively impact on the Council's ability to fund the delivery of other statutory and non-statutory services that were valued by residents and supported the delivery of the ambitions of the Nottinghamshire Plan.

70. Members of the review group acknowledged that any changes to how the Catering and Facilities Management Service was delivered would require a significant amount of work to implement, with the potential impacts of any changes on the Service's employees and customers would need to be fully understood and carefully managed to minimise any disruption and uncertainty that may arise.

71. However, despite these important considerations, members agreed that for the Council to be able to continue to deliver a high-quality service that supported the delivery of many positive outcomes for Nottinghamshire residents, that it was vital that the challenges being faced in the delivery of the Catering and Facilities Management Service were now addressed.

72. Members agreed that it was important that a solution should be identified and implemented that would not only address current challenges but also provide a sustainable way forward for the delivery of the Catering and Facilities Management Service.

## **Alternative Service delivery options**

73. Members now considered in detail a range of possible alternative service delivery models for how the Catering and Facilities Management Service could be delivered in the future along, along with their possible advantages and disadvantages (as detailed at paragraphs 45 - 48).

The alternative options considered were:

- **Exiting the market completely, with the Council no longer providing a Catering and Facilities Management Service.**
- **Outsourcing Catering and Facilities Management Service provision through alternative supplier/s.**
- **Transferring some, or all of the functions of the Catering and Facilities Management Service to a new company that would be independent of the Council.**
- **Forming a partnership with another service provider in either the public or private sector through a Joint Venture.**

74. In assessing each of the different options of how the Service could be delivered in the future, members considered how each option would:

- impact on the level of service provided to customers and residents.
- impact on the 1,900 staff employed by the Catering and Facilities Management Service.
- support the delivery of the ambitions of the Nottinghamshire Plan.
- mitigate against the significant pressures and risks that were being currently being faced by the Council in the delivery of the Catering and Facilities Management Service.

## **Exiting the market**

75. This option would be for the Council to exit the market completely and no longer having any role in the delivery of catering and facilities services. This would involve the Council ceasing to bid for new contracts, serving notice on all existing contracts, and closing all or some of the business. The advantages and disadvantages of this option are summarised at paragraph 45.

76. Members agreed strongly that the potential option of the Council exiting the market completely, and no longer providing the services currently delivered through the Catering and Facilities Management Service, including school meals and meals on wheels was not an option that should be considered for implementation.

77. Members agreed that whilst the services delivered by the Catering and Facilities Management Service were discretionary, and which the Council had no legal requirement to provide, that the delivery of many of these services such as schools catering were widely seen as the Council's responsibility. Members agreed that ending all involvement in the provision of these key services that were valued and trusted by residents, and which made a positive impact on



their lives did not align with the ethos and ambitions of the Nottinghamshire Plan or of the Council as a whole. Members of the review group agreed that it was essential that the Council must retain the ability to influence and lead on how these important services were delivered.

78. Members of the review group agreed that if the Council stopped providing these services, its influence on how they were provided, would be substantially reduced. This loss of influence would negatively impact on the Council's ability lead on activities that supported the delivery of the best outcomes residents, and as such, make the delivery of the ambitions of the Nottinghamshire Plan more difficult to achieve.
79. The option of exiting the market completely would also negatively impact on the Services' customers, with customers facing disruption in the services that they received during any period of transition. Whilst this impact would be felt by all customers, it could be significant and disruptive for some, particularly in small or rural schools. The majority of schools now served by the Service are smaller or rural schools with modest pupil numbers and where the cost of providing a catering service is higher. If the Council ceased providing a service, there was a risk that some schools could be left without service provision as providing services to these schools could be unappealing to other service providers due to the higher cost of providing services in these settings.
80. Members of the review group also considered the potential impact on the 1,900 staff who are currently employed by the Catering and Facilities Management Service, the majority of which are part time and on lower pay scales. Whilst the staff who are currently employed by the Service would be TUPE transferred to new service providers, there could be a risk that once transferred, some staff could be made redundant as new service providers sought to make savings in the cost of delivering services.
81. Members of the review group also expressed concern that the Council's commitment to pay staff across the Service the Foundation Living Wage may not be replicated by other service providers and that staff recruited in the future may be employed on less favourable terms than those that were currently offered.
82. Members of the review group agreed that the option of the Council exiting the market completely, and to stop providing services should not be considered further. This was due to the significant risks and negative impacts that this option could have on residents, customers, staff, as well as to the Council's reputation as a good employer and provider of quality services.

### **Outsourcing Catering and Facilities Management Service provision**

83. This option would involve a non-permanent transfer of the provision of services from the Council to another supplier or suppliers. The advantages and disadvantages of this option are summarised at paragraph 46. Members of the review group agreed that whilst this option did have the advantage of allowing the Council to work with an experienced private sector/commercial provider who had experience in service provision and potentially enable services to be delivered at a lower cost to the Council, that this option had significant disadvantages.
84. Members noted their concern how the option of outsourcing services would mean that the Council would lose all control and influence of how these important services were delivered, whilst still retaining all of the current financial and reputational risks associated with their

delivery. Members agreed that if an outsourced provider did not provide services to the high standard that was currently provided, for example if there was a reduction in the quality of school meals, then this could negatively impact on the reputation of the Council as well as making the delivery of the ambitions of the Nottinghamshire Plan more difficult to achieve.

85. Members of the review group agreed that their concerns around the potential negative impacts for customers, staff, and residents of the option of the Council exiting the market, could also be applied to the outsourcing of the provision of services.
86. Having considered the advantages and disadvantages of this option, members of the review group agreed that the option of outsourcing service provision should not be considered further. Members agreed that the potential advantages of outsourcing service delivery were substantially outweighed by the same disadvantages and the associated risks for staff, customers, residents, and the Council as the option of exiting the market.

### **Transferring the Service.**

87. This option would be for the transfer of some, or all of the functions of the Catering and Facilities Management Service to a new company that would be totally independent of the Council. The advantages and disadvantages of this option are summarised at paragraph 47.
88. This option would provide complete operational independence from the Council for the new company, with the new company having the ability to respond in an agile and responsive way to challenges in the market, for example around food production costs and in changes in demand in a way that the Catering and Facilities Management Service in its current form could not. A transferred service would also remove all operational and financial risks from the Council.
89. Members of the review group agreed that their concerns around the potential negative impacts for customers, staff, and residents of the options of the Council exiting the market or of outsourcing service provision could also be experienced in the option of the transferring of service provision. However, unlike the option of outsourcing where the provision of services could potentially be brought back into the control of the Council or outsourced to another provider, that once the Service had been transferred out of the Council, it could not be brought back.
90. Members agreed that whilst this option did have the potential to provide a solution to the financial and operational issues and risks currently being faced by the Council in the delivery of the Catering and Facilities Management Service, that this option should not be considered further as it would permanently remove all influence from the Council in how services were delivered and reduce its ability to support the delivery of the ambitions of the Nottinghamshire Plan.

### **Forming a Partnership**

91. This option would be for the Council to form a partnership with another service provider in either the public or private sector through a Joint Venture. The advantages and disadvantages of this option are summarised at paragraph 48.

92. Members of the review group agreed that whilst all of the services currently delivered by the Catering and Facilities Management Service were discretionary, the delivery of many of these services such as schools catering were widely seen as, and also should be, the Council's responsibility, with the Council being a trusted and respected brand in their delivery.
93. Members of the review group agreed that it was essential that the Council must retain its ability to influence how these services were provided to drive forward the delivery of the ambitions of the Nottinghamshire Plan. Members of the review group agreed that the delivery of services through a partnership approach would enable the Council to maintain a level of influence and control of how these important services were provided, whilst also providing the Service with the flexibility and freedom to respond to the financial and other challenges that were currently being experienced in the delivery of the Service.
94. Members agreed that the option of delivering services through a partnership had many advantages for the Council in how it delivered catering and facilities management services. These included benefits related to economies of scale, being able to respond more flexibly to changes in the market and being able to procure supplies at lower prices. However most significantly, it removed many of the financial and other risks being faced by the Council in the delivery of the Service whilst still retaining ability to influence how services were delivered.
95. Members of the review group agreed that whilst the current operating environment for the Catering and Facilities Management Service was challenging, that the Service by always putting the needs of residents and customers at the heart of all its activities, delivered an excellent service. Members were concerned however that this focus could be at risk from a change in how services were delivered. Members agreed that this focus on quality was particularly important for the schools catering service and were concerned that the current high quality of meals provided in schools could be at risk if the way in which services were provided changed. Members however agreed that the delivery of services in conjunction with a partner who had a similar service delivery ethos to the Council would enable the current high level of customer focussed and high quality service delivery, especially in schools catering, to be maintained.
96. In assessing each of the different options of how the Service could be delivered in the future, members considered in detail the potential impact on the 1,900 staff who currently work across the Catering and Facilities Management Service. Members of the review group acknowledged that whilst any changes to how services were delivered had the potential to create some understandable concerns amongst staff during any period of transition, agreed strongly that any future service delivery model should as far as possible not negatively impact on the employment terms and conditions that staff currently received.
97. Members of the review group agreed that the delivery of services through a partnership with another service provider who shared the Council's service delivery ethos and commitment to its employees, and where staff would maintain their current terms and conditions (including remaining in the LGPS), was a significant advantage of this option.
98. Members of the review group agreed that whilst the delivery of services through a partnership had the potential to deliver many benefits, that this option did also have some disadvantages. The delivery of services through a partnership whilst removing much of the financial risk currently involved in service delivery, enabling service delivery to continue in a more financially sustainable and efficient way, would mean a significant reduction in the contribution currently

made by the Service to the Council's corporate overheads. Members agreed that the potential impact of this significant change on wider Council operations should be carefully considered and managed if a partnership were to be established. The formation of a partnership with another service provider would also require the utilisation of specific expertise from within the Council which could be challenging to be resourced. Members of the review group noted however that the knowledge and experience that had been gained within the Council from the setting up the Arc Partnership and of other joint ventures would be beneficial in the process of the setting up of any new partnership.

99. On balance, members agreed that whilst there were some potential disadvantages that would need to be fully assessed and understood in order to put appropriate mitigating actions into place, that the option of forming a partnership with another service provider through a Joint Venture had the potential to enable the Council to sustainably deliver a high quality deliver catering and facilities management services into the future.

### **Recommendation Two**

***That having considered the range of potential alternative options of how the Catering and Facilities Management Service could be delivered in the future, that the option of delivery through a partnership approach should now be prioritised for further exploration and assessment through an appropriate procurement exercise to explore the market in order to gain a detailed understanding of this option's potential benefits and limitations.***

### **Communication and engagement with staff and customers**

100. Throughout the review process members recognised and noted their appreciation for the essential work that is carried out by Catering and Facilities Management Service staff in providing vital and important services such as school meals, building cleaning, and meals at home, that every day make a positive impact on the lives of residents across Nottinghamshire. The Catering and Facilities Management Service employs over 1,900 staff and delivers over 1,000 individual service contracts. As such, any changes in how services were delivered would involve and impact on significant numbers of Council staff and customers right across Nottinghamshire.
101. Members agreed that keeping staff and customers regularly informed on changes in how the Service would be delivered during any period of transition was essential and would help to reduce the understandable uncertainty and anxiety that some staff would feel during a time of change.
102. Members of the review group agreed that an effective, thorough, targeted, and timely schedule of engagement and communication throughout any period of change around how services were delivered would not only give reassurance to staff during a period of significant change but would also support the wider activity and engagement with the trade unions that would be taking place to ensure the smooth transition to a new service delivery model.
103. Members of the review group also agreed that an extensive and thorough programme of engagement and communication that was targeted and tailored to meet the different needs of the wide range of the Service's customers should also be carried out. This would help to

ensure that all customers were kept informed on the changes that were being made to how services were delivered and on how they would be implemented.

### ***Recommendation Three***

***That any future changes to the delivery of the Catering and Facilities Management Service should be supported with large scale engagement and communication with staff and customers***

### **County Enterprise Foods**

104. The customer base of County Enterprise Foods has expanded over time and now provides meals to other local authorities and businesses in South Yorkshire, Leicestershire and to Nottingham City Council, as well as providing prepared meals for some schools. The service also offers a service to care homes to buy in prepared meals. County Enterprise Foods, unlike the other parts of the Catering and Facilities Management Service is a “budgeted” service, however over recent years changes in food production costs have, like in the schools catering service, created financial pressures, and as such the service has been experiencing budget deficits over recent years (£156,000 in 2022/23).
105. As part of the review process members of the review group visited the County Enterprise Foods production centre at Worksop and the distribution facility at Rainworth. During these visits members of the review group witnessed at first hand the passion and commitment of County Enterprise Food staff in providing a high-quality product and outstanding service for their customers.
106. Members also learnt from the management team about how they were continually innovating in delivering continuous improvement to how services were delivered and looking for new and innovative ways of promoting and developing the service. Members particularly welcomed the work that was being carried out to enable online ordering, increasing their customer base, menu development and the rebranding of the service to “County Foods” that is currently taking place. Members of the review group also learnt how there was, if required in the future, the potential to increase the number of meals produced at the Worksop site.
107. Members of the review group were impressed by the professionalism, enthusiasm, passion, and creativity that was clearly evident within the service and agreed, given the potential of the production facility to increase the number of meals produced as well as the expanding market for its services, that there could be significant opportunities within the service for it to expand and develop in the future.

### ***Recommendation Four***

***That any future changes to the delivery of the Catering and Facilities Management Service should enable the significant potential of County Enterprise Foods to be fully realised and developed.***

## **Sites and facilities**

108. The Service has two delivery main sites, the Production Centre at Worksop, and the Distribution Facility at Rainworth. These form part of County Enterprise Foods and are owned by the Council.
109. There are also 15 landscape depots across the County that are part of Landscape Services and that are used to store equipment and supplies, nine of these are owned by the Council, with the other six being leased. The landscape depots are not spread evenly across the County, with five of the 15 sites being located in Rushcliffe. Whilst these sites are known as depots, they solely provide undercover and secure storage for large pieces of equipment and as such are not staffed.
110. Members of the review group agreed that it was important that the Service should be fully utilising its assets in the most effective and efficient way when delivering services especially given the financial pressures that the Service and the Council as a whole had been facing in recent years. Members of the review group agreed that work should be carried out to consider how the 15 landscape depots were currently being used and how these sites could be best used to support efficient service delivery.

### ***Recommendation Five***

***That a strategic review of the 15 landscape depots should be carried out to identify how they could be best used as part of the service's operational estate.***

### **Dissenting view**

111. The Overview and Select Committee Procedure Rules, as detailed in the Council's Constitution, state that as a result of a scrutiny review, if a single final report cannot be agreed that any reports and recommendations made by any Scrutiny Committee will include any dissenting views. During the considerations of the review group, Councillor Hollis requested that the following dissenting views were included in the final report.

***The provision of a Catering and Facilities Management Service should be viewed as an integral part of the Council's operations.***

112. Members of the review group agreed that whilst all of the services currently delivered by the Catering and Facilities Management Service were discretionary, and which the Council had no legal requirement to provide, the delivery of many of these services such as schools catering were widely seen as the Council's responsibility to provide.
113. Members agreed that ending all involvement in the provision of these key services that were valued and trusted by residents, and which made a positive impact on their lives would not align with the ethos and ambitions of the Nottinghamshire Plan or of the Council as a whole. Members of the review group agreed strongly that the potential options of the Council exiting the market completely or of transferring the provision of services, were options that should not be considered for implementation.
114. Members of the review group also agreed that it was essential that the Council retained its ability to influence how services were provided and how this influence would enable it to drive

forward the delivery of the ambitions of the Nottinghamshire Plan. As already detailed, members of the review group agreed that the delivery of services through a partnership approach would enable the Council to maintain a good level of influence and control of how services were provided, whilst also providing the Service with the flexibility and freedom to respond to the financial and other challenges that were being experienced in the delivery of the Service.

115. Councillor Hollis was of the view that the delivery of services through a partnership with another organisation would not give the Council sufficient ability to influence how services were delivered and would make the delivery of the ambitions of the Nottinghamshire Plan more difficult to deliver. As such, Councillor Hollis was of the view that the current operating model for the Catering and Facilities Management Service should be maintained.

***The Council should be proud of paying the Foundation Living Wage and should maintain the current terms for the employees who work within the Service despite the costs.***

116. The wages paid to staff across the Catering and Facilities Management Service are set with regard to the Council's commitment to pay the Foundation Living Wage. Of the staff employed across all parts of the Service, 80% are enrolled in the Local Government Pension Scheme with 96% of staff being paid at NJE Grade 3 (£24,200 per year) or lower. Members of the review group agreed that the staff who worked in the Catering and Facilities Management delivered a first-rate service to Nottinghamshire residents, and fully supported the Council's commitment to pay the Foundation Living Wage to these staff who provided such important services.

117. Members of the review group agreed that the delivery of services through a partnership with another private or public sector provider, who shared the Council's service delivery ethos and commitment to its employees, and where Staff would transfer across to it through TUPE and maintain their current terms and conditions (including remaining in the LGPS), would work to protect the current pay and conditions of staff.

118. Councillor Hollis was of the view that the pay and conditions of staff, and the guarantee of staff being paid the Foundation Living Wage as a minimum could not be assured if the services were delivered by the Council in partnership with another private or public sector provider. As such Councillor Hollis was of the view that in order to ensure that staff maintained their current terms and conditions and were paid the Foundation Living Wage as a minimum, that the current service delivery model, where the Council had full control of decision making and of employment terms and conditions, should be maintained.

***The relatively minimal losses being incurred need to be seen in terms of the bigger picture, with the financial aspects balanced against the wider community benefits of the Council retaining control over the menus and continuing to employ hundreds of local people and ultimately it is hoped that the service can break even or turn a profit by growing the business internally.***

119. Members throughout the review process noted their concern about the financial deficits that were being experienced by the Catering and Facilities Management Service, which had been projected to be £2.5million in 2023/24 (excluding County Enterprise Foods). Councillor Hollis was of the view that whilst the Service should work to reduce the financial deficits being

incurred in the delivery of services, that these deficits should be viewed in the wider context of the benefit and social value that these services provided to residents across Nottinghamshire.

- 120. Throughout the review process members of the review group learnt about the activities that had been carried out throughout the Catering and Facilities Management Service over recent years in order to control costs and to deliver efficiencies and savings including Guaranteed Forecast Pricing, reviewing menus and the work that had been carried out with suppliers over the cost of food and other supplies.
- 121. The members of the review group, having considered the information provided, agreed that the changes in market conditions that had put pressure on the Service’s pricing strategy and had restricted the means to recover its costs from customers were so significant that they could not be mitigated further by the activities that had already been, and had been able to be carried out within the Service’s current operating model.
- 122. Councillor Hollis was of the view that there was still further capacity and ability within the existing operating model for the Service to make further savings and efficiencies in areas including revisiting and reviewing service contracts and looking to revise menus in schools catering. Councillor Hollis also noted that there was also potential across the Catering and Facilities Management Service for their operations to expand and to increase their income.
- 123. Councillor Hollis having considered the information provided throughout the review process, and for the reasons detailed above, is of the view that the current operating model for the Catering and Facilities Management Service should be maintained.

**124. Summary of recommendations**

	<b>Recommendation</b>
1.	<p>That the review group note:</p> <ul style="list-style-type: none"> <li>a) the significant social value that is provided through the delivery of Catering and Facilities Management Services.</li> <li>b) their appreciation to all Catering and Facilities Management staff for the high level of service that they consistently provide to residents across Nottinghamshire.</li> <li>c) the current and unsustainable financial pressures that are being faced by the Catering and Facilities Management Service.</li> </ul>
2.	<p>That having considered the range of potential alternative options of how the Catering and Facilities Management Service could be delivered in the future, that the option of delivery through a partnership approach should now be prioritised for further exploration and assessment through an appropriate procurement exercise to explore the market in order to gain a detailed understanding of this option’s potential benefits and limitations.</p>



3.	That any future changes to the delivery of the Catering and Facilities Management Service should be supported with large scale engagement and communication with staff and customers.
4.	That any future changes to the delivery of the Catering and Facilities Management Service should enable the significant potential of County Enterprise Foods to be fully realised and developed.
5.	That a strategic review of the 15 landscapes depots should be carried out to identify how they could be best used as part of the service's operational estate.

### **Acknowledgments**

125. The Chairman and members of the review group would like to express their thanks for the invaluable support provided during review process to Mark Walker, Interim Service Director, Place and Communities, John Hughes, Group Manager - Catering and Facilities, Jon-Paul Kirk, Project Manager and Donna Baines, Food Development Manager.

126. The Chairman and members of the review group would also like to express their thanks to the representatives from Unison who attended the second and fourth review group meetings, as well as to the catering staff and children at King Edwin Primary School, Edwinstowe.

### **Other Options Considered**

127. None. The recommendations of the review, if approved and to comply with the requirements of the Constitution are required to be submitted to Cabinet their consideration.

### **Reason/s for Recommendation/s**

128. To comply with the requirements of the Constitution that the findings of a scrutiny review are submitted to the Cabinet for their consideration.

### **Statutory and Policy Implications**

129. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **Financial Implications**

130. There are no direct financial implications relating to the recommendation of the report.

## RECOMMENDATIONS

- 1) That the report detailing the work of the scrutiny review of the Catering and Facilities Management Service be received.
- 2) That the dissenting views, as detailed at paragraphs 112 - 123 of the report be noted.
- 3) That the recommendations from the scrutiny review of the Catering and Facilities Management Service, as detailed in the report, be endorsed, and referred to Cabinet for their consideration.

**Councillor Mike Adams**  
**Chairman, Place Select Committee**

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### **Constitutional Comments (CM 02/05/2024)**

131. The report falls within the terms of reference of the Place Select Committee.

### **Financial Comments (PAA29 02/05/2024)**

132. There are no specific financial implications arising directly from this report.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

[Report to Place Select Committee 20 December 2023](#)  
[Place Select Committee Minutes 20 December 2023](#)

### **Electoral Division(s) and Member(s) Affected**

- All