

REPORT OF THE SERVICE DIRECTOR, PLACE AND COMMUNITIES

FUTURE OPTIONS FOR CATERING FACILITIES MANAGEMENT AND COUNTY ENTERPRISE FOODS - UPDATE

Purpose of the Report

1. To update Members on progress with initial work to explore future options for the Catering and FM Service and to seek approval to undertake further options work to develop a preferred model.

Information

2. At its meeting on 15 September 2021, Committee approved the engagement of CIPFA C.Co in undertaking an options analysis, and subsequently developing a full business case for the development of a sustainable future operating model for catering and facilities management services, for consideration by the Committee. Developing and delivering such an option would support Council priorities as expressed in the current Council Plan for *"A healthy, prosperous and greener future for everyone"*, in particular priorities around healthy lifestyles for children and young people, and support for vulnerable older adults. A sustainable future for the Service would also support the Council's ambitions for longer term financial resilience, given the Service's current status as the Council's main traded service entity.
3. C.Co has concluded the initial phase of its work, within the context of the Service's requirement to adapt to continue to deliver value for money and remain sustainable in a complex trading environment. This has comprised an outline options analysis for future operating models for the Service, based upon current and predicted future market conditions and benchmarking and comparator data, as well as analysis of the Service's current context and performance. Previous work undertaken by C.Co for the Council in 2019 has also been taken into account. Key contextual factors for consideration include:
 - The pace of schools academisation and the procurement practices of Multi Academy Trusts, which have placed income at risk.
 - Structural workforce supply issues in the catering and FM employment markets.
 - Impact of the Covid pandemic – whilst the long term impact has yet to be fully understood, it will have social and economic impacts, as well as workforce and supply chain implications.
 - The growth of hybrid and remote working, and their impact on the FM requirements of public and private sector organisations.
 - Inflationary pressures, including fuel, energy, food production and labour costs.

4. Set out below, in summary form, are the initial options that C.Co have considered and initially assessed.

Do nothing. This would mean continuing operating the Service as at present. This would see the Council exposed to the growing financial risks caused by the external factors set out in paragraph 3 above.

In House redesign. This option would see the Service implement a range of actions to reduce financial risk to the Council, including making contractual changes in contracts with customers to ensure full cost recovery. Whilst many of these changes are currently underway, this option still leaves the service vulnerable to market pressures and fluctuation, with resultant financial risk to the Council.

Exit the market. This option would see the Council choosing to withdraw services from schools and residents, leaving existing customers to manage their own catering and cleaning provision. There would be significant costs associated with this for the Council, and probable issues with service continuity/viability in some settings. This option would also result in reputational risk to the Council.

Externalisation. This covers a range of sub-options, summarised below. Each of these options would result in reduced direct financial risk to the Council, and would have the benefit of enabling the service to operate commercially in a more flexible and agile way to respond to market changes. Each sub option also presents a different risk profile, however, in terms of complexity and deliverability

- **Joint Venture.** This option would propose a joint venture with a commercial partner to deliver the services.
- **Wholly owned company.** This would see the transfer of the services to a company owned by the Council.
- **Independent organisation.** This would see the transfer of the services to a company independent of the Council.
- **Outsource.** This option would see the Council procure the services it provides from the commercial market.

5. It is apparent from the summary analysis above that some options are more attractive than others, in terms of risk, service continuity and longer-term sustainability. It is therefore proposed that the options analysis work continues, moving to a more detailed phase, in order to identify and develop a clear preferred option for consideration by members.

Reasons for Recommendation

6. To enable work to identify the most appropriate option for the future delivery of catering and FM services to continue.

Statutory and Policy Implications

7. 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

8. There are no financial implications at this stage. Longer term financial implications for the service will be assessed in the context of the detailed options analysis and development of a preferred model.

RECOMMENDATION

- 1) That Committee approves the continuation of work to develop preferred options for the future delivery of catering and Facilities Management services.

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Constitutional Comments (SSR 24/02/2022)

9. The scope of the recommendations fall within matters which may be considered by Communities Committee.

Financial Comments [RWK 28/02/2022]

10. There are no specific financial implications arising directly from the 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.

- None.

Electoral Division(s) and Member(s) Affected

- All.