

REPORT OF THE CABINET MEMBER FOR COMMUNITIES AND PUBLIC HEALTH**CATERING, CLEANING AND FACILITIES MANAGEMENT SERVICE – FUTURE SERVICE MODELS****Purpose of the Report**

1. To provide an overview of the Catering, Cleaning and Facilities Management Service and its current operating context.
2. To propose that Place Select Committee agrees to undertake work to consider the issues faced by the Service and offer subsequent recommendations to the Cabinet Member for Public Health and Communities.
3. To propose the formation of a Task and Finish group to explore the issues faced in detail to inform the Place Select Committee's recommendations.

Information**Background and Context**

4. The Catering, Cleaning and Facilities Management Service is a large and complex set of services, offering a range of services to a variety of customers, both internal and external. Appendix One provides a summary of the Service, the service offer, and its scale of operations.
5. As a Traded Service, the Service operates on a commercial basis and is expected to fully recover all of its costs. It has been facing significant financial pressure over a number of years. Expenditure is likely to exceed income by approximately £2.5m in 2023/24 and recent experience suggests this shortfall has the potential to increase in future years. In 2021/22 the actual outturn of the Service was a deficit of £606k, while in 2022/23 it was a deficit of £2.69m.
6. In common with all Services, its ways of working and challenges faced are under continuous review to ensure it meets Council priorities and delivers on customer needs, within appropriate financial parameters.

Recent Challenges

7. Global events have meant the service has faced unprecedented challenges. The Covid-19 pandemic resulted in significant changes in the Service's markets, and also resulted in

significant workforce challenges that continue now. Recent unprecedented inflationary pressures have also had a significant financial impact on the Service's cost base.

8. Prices of food and non-alcoholic beverages rose by 10.1% in the year to October 2023. This was down from 14.9% in the year to July 2023 and a high of 19.2% in the year to March 2023 which was the highest rate seen for over 45 years.
9. Another significant input into the cost of services delivered is labour. The Local Government pay award increased the pay of most staff by £1,925 per employee from April 2023. In addition, the County Council pays the Foundation Living Wage which increased by 10.1% from £10.90 to £12.00 per hour from November 2023 and applies to many staff. The latest Foundation Living Wage is 15% higher than the current national minimum wage of £10.42 paid in some commercial operations.
10. The long term academisation of schools has significantly impacted the Service, as schools represent its main customer base for catering, cleaning, and facilities services. Academisation has resulted in many schools exploring and procuring these services from other providers, a trend which is set to continue.
11. These changes in market conditions and costs, many of them unpredictable, put pressure on the Service's pricing strategy – the means by which it is intended to recover its costs from customers across its business – and mean that it is difficult for the Service to respond quickly and flexibly to changes in its cost base whilst retaining customers and remaining competitive within its markets.
12. The increasing cost pressures faced by the Service are reflected across the wider Council, which faces broader challenges with its finances and operating context. Given that the Service is currently unable to trade on a break-even basis, it important to explore ways to address this in the short, medium, and long term.

Potential ways forward

13. There are a range of potential areas for exploration in respect of the Service's future operating and trading model. This work needs to balance the needs of staff and customers whilst minimising financial and other risk to the Council.
14. Areas for potential exploration include:
 - **The effectiveness of continuing to operate the service as it is currently designed and delivered** - the Council could look to continue 'as is' and deliver services in house, improving efficiency as far as able to be as cost effective as possible.
 - **Market opportunities** – opportunities to work with partners in the market who might be better placed to cost effectively deliver some or all services.
 - **Stop delivering services/market withdrawal** – if internal work and/or partnering is unable to secure a cost effective and sustainable future model of service delivery, to consider whether there may be areas of the Service's operation where the Council should explore ceasing the provision of discretionary services.
 - Other opportunities/models that may be worthy of consideration.

Task and Finish Group

15. Given the complexity of the Service and the issues faced, it is proposed that the Committee considers the establishment of a Task and Finish group to consider the Service's context, challenges, and opportunities in more detail.

Other Options Considered

16. To not engage with the Place Select Committee. This option is not recommended as scrutiny involvement is required and valuable given the issues being considered.

17. To engage Place Select Committee but without establishment of a Task and Finish Group. This is not recommended due to the complexity of the issue and the limited time that dealing in a Committee meeting would afford.

Reasons for Recommendations

18. To work with the Committee to provide a detailed picture of the Service to enable it to fully consider the challenges and opportunities for the Service.

Statutory and Policy Implications

19. 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

20. The Service has an annual turnover in excess of £36m per annum and is currently projecting a shortfall of approximately £2.5m in 2023/24. Within this, the Service contributes around £1.5m to the County Council's central overheads annually.

21. A £4.0m traders resilience reserve was created at the end of 2022/23 to help mitigate the expected increase in traded services net costs in both 2023/24 and future years whilst work on reviewing these services continues.

Human Resources Implications

22. The Service employs circa 1,900 members of staff in numerous service locations. The majority are part time, with the full-time equivalent workforce being 1,100.

Implications for Residents

23. The purpose of the Place Select Committee review is to explore future options for sustainable and cost-effective delivery of services that reflect the requirements of the Council and the Service's customer base.

RECOMMENDATIONS

That the Committee:

- 1) Agrees to undertake work to consider the issues faced by the Service and offer subsequent recommendations to the Cabinet Member for Public Health and Communities.
- 2) Agrees to the formation of a Task and Finish group to explore the above issues to inform the Place Select Committee's recommendations.
- 3) 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.

Cllr Scott Carlton
Cabinet Member for Communities and Public Health

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Constitutional Comments (LPW 04/12/2023)

24. The recommendations fall within the remit of the Place Select Committee by virtue of its terms of reference.

Financial Comments (PAA29 07/12/2023)

25. The financial implications are set out in paragraphs 20 and 21 of the report.

HR Comments (JP 12/12/2023) Any HR implications are contained in the body of the report. The HR service will continue to provide advice to any on-going work

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