

The Vale of Glamorgan Council

Cabinet: 20th February 2017

Report of the Cabinet Member for Regeneration and Education

Reshaping Services – Catering Project

Purpose of the Report

1. To provide Cabinet with an update regarding the Reshaping Services Catering project and seek approval to refer the proposals contained in this report to Scrutiny Committee (Learning & Culture and Corporate Performance and Resources) for their consideration before reaching a final determination.

Recommendations

1. That Cabinet note the contents of this report in providing an update on the Reshaping Services Catering project which is a tranche one service review within the overall Reshaping Services Programme.
2. That Cabinet approve the proposals to create a Local Authority Trading Company as outlined in this report as a basis for referral to Scrutiny Committee (Learning & Culture) and Scrutiny Committee (Corporate Performance & Resources) for consideration and continuing consultation with trade unions and staff before reaching a final determination.
3. That, subject to recommendation two, Cabinet approve the implementation plan involving the creation of a Local Authority Trading Company in year three of the business plan as described in [Appendix B](#) of this report.
4. That, subject to recommendations two and three, Cabinet delegates authority to the Director of Learning & Skills, in consultation with the Leader, Cabinet Member for Regeneration and Education and Managing Director to:
 - Undertake the necessary consultation and engagement activity as described in this report; and
 - Respond as appropriate to this engagement and consultation; and
 - Report back to Cabinet any material changes to the proposals resulting from the consultation process; and

- Progress the implementation of the proposals following conclusion of all necessary consultation and engagement activity.
5. That Cabinet receive a report detailing the progress made after the first year of the business plan, including progress against the actions taken, any changes that are required to the underpinning assumptions and setting out proposals relating to the governance of the company.

Reasons for the Recommendations

1. To provide Cabinet with an update on the development of proposals for the Catering Service (which is a tranche one service review project within the Reshaping Services Programme).
2. To enable the views of the Scrutiny Committees to be sought and involved in Cabinet's consideration in reaching a final determination and following this consideration, to authorise the creation of a Local Authority Trading Company for this service.
3. To enable the effective management of this project, including the creation of a Local Authority Trading Company in year three of the business plan following a period of preparatory work.
4. To ensure the process of required consultation and engagement work with Trade Unions, staff and other stakeholders is undertaken efficiently and effectively in line with Council policies and procedures.
5. To enable Cabinet to consider the progress being made and to enable the company to be established, including the development of the Articles of Association and Company Board.

Background

6. The Reshaping Services strategy provides a framework for the Council to work within for the next three to five years. The programme is the Council's proactive response to central government's austerity drive that has created a period of unprecedented financial pressure in the public sector. The Council's budget has been under pressure for a number of years with £35million in savings identified between 2010/11 and 2015/16. Further substantial savings have been identified as being necessary in future years. Failure to deliver the required level of savings will not be an option for the Council. According to many analysts the period of austerity is likely to continue for councils and the public sector. It is clear that the scale of the challenges to come will mean that "business as usual", however well managed, will not be enough.
7. The Catering Service was been identified as a 'Tranche one' service review project, with savings of £300k required in the 2016/17 financial year. There is also an additional £47k of savings prescribed in the Final Proposals for the Revenue Budget 2015/16. Those savings are as follows:

Title of Saving	Description of Saving	2016/17
Price Increase	Price increase by 5 pence per meal	£23,000
Primary Recharge Savings	Transfer of administration on implementation of the Cashless Catering System	£10,000
Procurement	Procurement savings for service	£14,000

8. For the purpose of this project, the total required savings considered was therefore £347k.
9. A report was presented to the Reshaping Services Programme Board on 14th October 2015 recommending that the £347k savings be achieved through implementing a series of cost-saving measures. This has allowed time for the project team to establish the most appropriate operating model for the future sustainability of the service. These savings were successfully delivered within the 2016/17 year as required. The focus of the project is therefore on the most sustainable model for the Catering service in future years.
10. The Reshaping Services Programme focuses on how services can be delivered more efficiently and effectively through evaluating the appropriateness of alternative service delivery models and other measures such as efficiency savings, income generation and demand management.
11. A project team has been established to identify the most sustainable model for the future delivery of the Catering Service. This report sets out the results of the business case development work that has followed the principles of the Cabinet Office's Five Case Business Case Model which is recognised as good practice in this area and which provides a framework within which to fully evaluate proposals. The report makes a recommendation that the most sustainable delivery model for the Catering service is via a local authority trading company.

Issues and Options

Scope

12. The scope of this project includes the following services:
 - School Meals: primary, secondary and special schools
 - Administration and Monitoring of Free School Breakfast provision in primary schools
 - Staff Catering: vending provision
 - Administration of the School Milk Grant

Project Objectives

13. The objectives of the Reshaping Services Strategy are:
 - To identify alternative ways of delivering services which provide better outcomes for citizens and/or more efficient means of delivery.
 - To meet future financial challenges while mitigating the impact of cuts on service users.

- To develop the Council and its partners to ensure they are able to meet future challenges.
14. A series of specific project objectives have been developed based on the strategy's objectives as follows:
- To identify and implement the most suitable service delivery model for the Catering Service.
 - To create an efficient service that is able to adapt to future financial challenges.
 - To maximise opportunities to increase uptake and promote healthy school meals.

Options Appraisal

15. The service has implemented the required savings through a series of cost-reduction exercises and therefore the focus for the project is now to ensure that the service delivery model for Catering enables this service to be sustainable into the future. This is in light of any current and future challenges that could impact the service, including:
- Future savings could prevent the service from adapting to meet the needs of its customers and therefore a model is required that can assist the service to explore and invest in innovative opportunities.
 - 3 of the 8 secondary schools do not use the internal catering service to provide its school meals and primary schools could opt out of the service when budgets are delegated. The operation of the service therefore needs to increase Headteacher involvement to ensure the service meets their needs.
 - Over the last 5 years, the percentage of pupils purchasing a school meal ranged between 32.8% - 35.2%. The future service delivery model is required to increase uptake to provide a stable income to cover overhead costs and invest in the service.
16. A wide variety of alternative delivery models for the service were identified during the baseline assessment process in 2014 and Cabinet in approving the programme, required the project to evaluate this range of options. These options are:
- Option 0: Do Nothing: This option is used to compare any potential changes against the current service model.
 - Option 1: Internal Service Transformation: This would be achieved through a reconfiguration of the current structure and processes to ensure the service is efficient to meet future financial demands.
 - Option 2: Collaboration: Collaboration would involve working with a public sector partner to deliver a shared catering service. This would most likely be delivered with a neighbouring authority such as Cardiff Council or Bridgend CBC.
 - Option 3: Outsourcing: Outsourcing to the private sector would involve contracting an external provider for the required services.

- Option 4: Arms-length Company: This involves the creation of a separate legal entity that is either wholly or partly owned by the local authority. This model would be achieved through the creation of a co-operative/mutual or a local authority trading company. This option will be based on a local authority trading company with a cooperative (i.e. inclusive of stakeholder views) ethos.
17. Each of the benefits/risks commonly identified with such alternative delivery models are highlighted within the options appraisal, but all share opportunities for potential benefits including:
- Increased ownership of the service by key stakeholders: Transformation of the service will likely increase the sense of ownership amongst staff, management and schools. However the potential to improve the quality of the service will depend on the ability of the stakeholders to invoke a culture of commerciality.
 - Cost Reduction: Dependent on the management of the model adopted, the potential remains to reduce costs and increase the commercial nature of the business. Adoption of models that require significant cost investment into the service may only offer up cost reductions as the project approaches maturity.
 - Further promotion of school meals to increase take up: Adoption of a new model will require the adoption of new promotional strategies for take-up, particularly where the business unit is required to become a self-standing entity.
 - Changing the culture of the Catering team: The move to a new model could provide an opportunity to invoke significant cultural change amongst staff in delivering the new service. Adoption of a new model will likely expose the new unit to new risks. These risks will only likely be mitigated by staff being prepared to adapt and adjust to new ways of working. Training and development needs will be assessed as part of the business plan.
 - Changing operating processes and policies: Each of the potential options provides the potential to improve upon the existing operational management to varying degrees, from the ability of co-production boards to influence policy to the complete overhaul of the service via the adoption of a trading company or outsourcing model. The potential impact and timescale for the change will largely depend on the nature of the change and the model adopted.
 - Flexibility in procurement: Depending on the model selected, an alternative delivery model could allow a degree of freedom from the current procurement arrangements that the local authority is bound by, including access to Teckal exemptions. The Teckal exemption enables local authorities and their wholly owned trading companies to be protected from procurement rules. However, in order to use the exemption, the company can only trade up to 20% of its turnover elsewhere, which may stifle commerciality.
 - Sponsorship opportunities and income generating opportunities:

Adoption of alternative commercial models could open up sponsorship opportunities and enable the development of opportunities for alternative income generation.

18. An options appraisal has been carried out by the project team to identify the strategic fit, value for money and service impact of the various delivery models. The options appraisal has been informed by information gathered from training with Grant Thornton, CIPFA and APSE, learning visits (to Plymouth's local authority trading company (CATERed) and Sandwell's mutual (SIPS Education)), soft market testing (meetings with suppliers) and formal discussions with other authorities. The full options appraisal is included in [Appendix A](#).
19. The project team applied a score to each model based on the extent to which the model met the Reshaping Services critical success factors which have been established to enable projects to appraise alternative delivery models on a consistent basis. The scores are summarised in the following table (each out of 10).

	Do Nothing	Internal Service Transformation	Collaboration	Outsourcing	Arm's Length Company
Strategic Fit					
Contributing to the Reshaping Services Strategy aim and objectives, including the impact on service users, partners and wider society.	0	4	6	7	8
Recognising the importance of balancing short-term needs with the need to safeguard the ability to also meet long-term needs.	0	5	6	7	8
Potential Value For Money					
Potential delivering financial savings	0	10	5	8	7
Contributes to the value for money agenda in terms of ensuring economy, efficiency and effectiveness of spend.	0	8	6	8	7
Generates funding for future investment purposes	6	2	3	6	7
Minimising financial risk.	5	6	4	3	4
Potential Achievability					
Likelihood to be successfully delivered, considering the Council's ability to assimilate, adapt and respond to the required level of change.	10	8	5	7	6
Matching the level of available skills which are required for successful delivery.	10	8	8	8	4
Potential Affordability					
Likely availability of funding for this model.	2	9	8	9	7
Delivering within approved	10	10	8	6	7

resources.					
Impact on Service					
Improved service to the customer	3	5	4	5	5
Level of control that the Council has on service delivery	3	10	5	2	10
Sustainability of the service	2	4	4	6	8
Commercial / income opportunities	0	2	2	0	10
School ownership (Head teachers/catering staff) of the service	0	0	0	0	5
TOTAL	51	91	74	82	103

20. Based on the High level Options Appraisal the Arm's Length Company and the Internal Service Transformation were the highest scoring models. In line with best practice, full business plans have therefore been developed for both models to enable a detailed assessment be made as to which model is the most appropriate model for the future sustainability of the service. The Business Plan for the Internal Service Transformation can be found in [Appendix B](#) and the Business Plan for the Arm's Length Company (Local Authority Trading Company) can be found in [Appendix C](#).
21. The Business Plans contain a description of the way the service would operate in terms of vision & mission, management, employment considerations, income opportunities, budgets, investment, governance, assets and stakeholder implications. The following paragraphs provide a summary of the most salient points for consideration.

Internal Service Transformation – Summary

22. The internal service transformation would involve a major change to the way the service operates. This would include a full rebranding of the catering service to present it in a new way based on more commercial principles. The service would remain as part of the Learning and Skills Directorate and would continue to be subject to the Council's policies and procedures. The transformed service would increase Headteacher involvement through the creation of a managing board that would oversee the day to day running of the service. The Catering Manager would meet regularly with the managing board to discuss performance of each school to encourage the promotion of school meals to maximise uptake.
23. The benefits of this model include:
- Limited implementation costs (a budget would be required for marketing and investment in branding, equipment and menu development);
 - Limited risk to the Council as service delivery remains under direct Council control;
 - Limited disruption to staff as no transfer is required;

- Full Council control will be maintained allowing the Council to influence the Catering service to adapt to future policy and budget changes; and
 - Supported by recognised Trade Unions.
24. The dis-benefits of this model include:
- A Council budget will need to be maintained to support the service in the first 4 years of operation;
 - The ability to achieve 'real' change may be limited as the service might continue to be seen as an internal Council service. This could make increased Headteacher involvement difficult, resulting in opportunities to increase uptake being limited;
 - The service would continue to be subject to internal pressures which could impact on the future sustainability of the service;
 - Opportunities to develop a more commercially minded workforce may be limited without the culture engendered by working in a separate organisation; and
 - Opportunities to generate sufficient surpluses for long term investment in the service may be limited without the ability to trade with external organisations.
25. A full financial analysis of the model is included in the Business Plan. This financial appraisal was based on the following series of principles/assumptions:
- The service should become one that achieves full recovery of its costs;
 - The meal price will increase by 5p every 2 years as follows:
 - 1st April 2017: primary meals - £2.25, secondary meals - £2.45
 - 1st April 2019: primary meals - £2.30, secondary meals - £2.50
 - 1st April 2021: primary meals - £2.35, secondary meals - £2.55;
 - Primary schools will receive delegated budgets for free school meal entitlement from 1st April 2017. The financial summary is based on an average free school meal entitlement over the last 4 years. This will fluctuate on an annual basis.
 - The number of paid-for meals will increase by 2% year on year, with the implementation of a number of initiatives contained in the business plan;
 - Staff costs have been increased in line with living wage estimates;
 - Central recharges will continue at the current rate; and
 - The Council will continue to fund: free school meal entitlement, free breakfast club provision and the school milk grant.
26. The following table highlights the operating budget for the internally transformed service during the first 5 years.

	2017/18	2018/19	2019/20	2020/21	2021/22
Expenditure					
Staff	£1,502,131	£1,544,861	£1,588,618	£1,585,258	£1,600,951
Premises	£103,333	£103,979	£104,631	£105,290	£105,956
Transport	£19,755	£19,888	£20,022	£20,158	£20,295
Supplies and Services	£923,000	£898,424	£909,092	£919,656	£930,925
Central Recharges	£167,618	£167,618	£167,618	£167,618	£167,618
Secondary School Costs	£808,762	£823,469	£845,913	£869,017	£874,111
Total Expenditure	£3,524,600	£3,558,239	£3,635,895	£3,666,997	£3,699,856
Income					
Free School Meals	-£1,045,228	-£1,045,228	-£1,067,724	-£1,067,724	-£1,090,220
Primary Meals	-£1,571,412	-£1,602,419	-£1,669,893	-£1,702,870	-£1,773,801
Secondary Meals	-£658,044	-£669,806	-£681,802	-£694,039	-£706,520
Special School Meals	-£27,047	-£27,587	-£28,722	-£29,297	-£30,489
Miscellaneous Income	-£121,445	-£121,445	-£121,445	-£121,445	-£121,445
Traded Income	-£3,865	-£7,181	-£7,380	-£7,589	-£7,809
Total Income	(£3,427,040)	(£3,473,667)	(£3,576,967)	(£3,622,965)	(£3,730,285)
Overall					
Net (Surplus)/Deficit	£97,559	£84,573	£58,928	£44,032	(£30,429)

27. The above table indicates that the service will achieve full cost recovery in 2021/22 with a surplus of £30,429 being available to reinvest in the service.

28. As an internal department, the Council would be required to fund the deficits during the first 4 years. This would include the funding for the Business Development Officer role. A catering service budget would therefore be required as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Catering Budget	£100,000	£100,000	£60,000	£50,000	£0	£310,000

29. The catering service is currently subsidised. The provision of the catering budget would therefore be consistent with the current financing of the service, but at a reduced level as the service would be proactively working towards recovering its full costs. In doing so the catering service would therefore generate cashable savings for the Authority as described below:

	2017/18	2018/19	2019/20	2020/21	2021/22
Breakfast club	£577,300	£580,250	£580,250	£580,250	£580,250
ALN Budget	£63,336	£63,336	£63,336	£63,336	£63,336
Primary School Delegation	£642,105	£642,105	£656,374	£656,374	£670,643
Secondary School Delegation	£425,002	£467,362	£476,900	£476,900	£486,438
Secondary Client Budget	£84,116	£0	£0	£0	£0
Special School Delegation	£45,154	£45,154	£46,075	£46,075	£46,997
School Milk Grant	£23,500	£23,500	£23,500	£23,500	£23,500
Council Investment	£100,000	£100,000	£60,000	£50,000	£0
Total Budget	£1,960,513	£1,921,707	£1,906,435	£1,896,435	£1,871,164
Previous Year's Budget	£2,099,828	£1,960,513	£1,921,707	£1,906,435	£1,896,435
Annual Saving	£139,315	£38,806	£15,272	£10,000	£25,271
Cumulative Saving	£139,315	£178,121	£193,393	£203,393	£228,664

30. The implementation of this model will result in total cumulative revenue savings of £228,664 by 2021/22.

31. There are risks associated with the selection of this model as described in the table below.

Risk	Likelihood	Impact	Mitigation
Further savings are required from the service in future years.	M	H	The financial appraisal has been based on full cost recovery with the council retaining budgets only for services used, such as the provision of free school meals.
Uptake increase not achieved resulting in additional budget being required.	M	H	The budget has been based on a 2% year on year increase in uptake. An action plan has been developed to achieve this, including Headteacher involvement.
Headteachers do not engage with model resulting in limited increases in uptake.	M	H	Headteachers will be involved through the management board to provide greater flexibility of the service provided.
Surpluses not sufficient for continued long term investment in the service.	H	H	A budget of £100,000 has been allocated for maintenance and renewal of kitchen equipment. Large scale, long term investment may need to utilise capital funding in absence of sufficient surpluses.
Schools use newly delegated budgets to procure external catering services, which would result in a TUPE transfer of staff based in that school to an external organisation.	M	H	The business plan has been developed to ensure the service is competitive and offers best value for money.

Local Authority Trading Company – Summary

32. A Local Authority Trading Company would result in the creation of a separate legal entity that is wholly owned by the Vale of Glamorgan Council. As a separate company, limited by shares, the company would act independently from the Council. The company would be controlled by a Board of Directors, which could include Council Officers, Elected Members, Staff Members and Headteachers. The Board of Directors would monitor performance and would report back to a Shareholder Committee with regular reports to Cabinet and relevant Scrutiny Committees. It is recommended that Cabinet receive specific proposals relating to the composition of the Board (and the governance arrangements more widely in terms of the Company's Articles of Association) in the report to be presented at the end of the first year of the business plan. This will enable further development and discussion in this regard and further advice to be sought as to the most advantageous arrangements.
33. The Company would be able to trade with private sector organisations and the public to maximise income and achieve full cost recovery. All profits would be reinvested into the company and an ongoing school kitchen development programme. The company is also able to take advantage of the Teckal exemption if it limits external trading to 20% of its total turnover. The Teckal exemption allows a company to continue providing services to the Council, without being subject to procurement regulations.
34. Both models of service delivery focus on achieving full cost recovery for this service which in practical terms means that the Council would no longer subsidise the service. However, in order to ensure this process is well managed, it is not proposed that full cost recovery should be achieved in the first year of operation. It is proposed that the service will receive a reduction in subsidy through its budget in the first two years. This is shown as an investment in the service from the Council. This two year period will enable the service to focus on increasing school meal uptake, developing commercial opportunities and completing all preparatory work for the company prior to its operation in year three. This will also ensure the Council complies with relevant State Aid legislation which limits the amount of investment that the Council can provide to a company in order to avoid providing the company with an unfair competitive advantage. During the third year, the Council would inject one final investment payment and this would be within the current de minimis level allowable under EU State Aid regulations (a maximum of 200k Euro or approximately £170k at today's exchange rate valuation).
35. The benefits of this model include:
- The ability to achieve full cost recovery through maximising income;
 - Legal separation from the Council reinforces changes to the way the service is run;
 - Choice and flexibility in the way in which support services are provided and by whom;

- Promotes a new relationship with Headteachers, Parents and pupils; and
 - The ability to trade with external organisations to generate surpluses to reinvest in the service.
36. The dis-benefits of this model include:
- The creation of a local authority trading company poses a financial risk to the Council should the company become insolvent or face financial difficulty;
 - There would be time and financial cost involved in the setting up of the local authority trading company which is not something the Council has significant experience of doing; and
 - Staff would be subject to a TUPE transfer which could result in a level of disruption for current staff.
37. A full financial analysis of the model is included in the Business Plan. As described above, the service would remain internalised during 2017/18 and 2018/19, with the creation of the company taking effect on 1st April 2019.
38. The financial appraisal was based on the following principles/assumptions:
- The service should become one that operates at full cost recovery;
 - The meal price will increase by 5p every 2 years as follows:
 - 1st April 2017: primary meals - £2.25, secondary meals - £2.45
 - 1st April 2019: primary meals - £2.30, secondary meals - £2.50
 - 1st April 2021: primary meals - £2.35, secondary meals - £2.55;
 - Primary schools will receive delegated budgets for free school meal entitlement from 1st April 2017. The financial summary is based on an average free school meal entitlement over the last 4 years. This will fluctuate on an annual basis.
 - The number of paid-for meals will increase by 3% year on year for 2017/18 and 2018/19 and 5% year on year for the following years, with the implementation of a number of initiatives contained in the business plan;
 - Staff costs have been increased in line with living wage estimates;
 - Central recharges for council support services have been included;
 - The Council will continue to fund: free school meal entitlement, free breakfast club provision and the school milk grant; and
 - Provision has been made for additional services, such as marketing, accountancy, external audit and pensions transfer upon creation of the company in 2019/20.
39. The following table highlights the operating budget for the local authority trading company during the first 5 years.

	2017/18	2018/19	2019/20	2020/21	2021/22
Expenditure					
Staff	£1,507,131	£1,548,861	£1,588,618	£1,585,258	£1,600,951
Premises	£103,333	£103,979	£104,631	£105,290	£105,956
Transport	£19,755	£19,888	£20,022	£20,158	£20,295
Supplies and Services	£891,560	£865,331	£982,776	£955,971	£986,367
Central Recharges	£167,618	£167,618	£138,544	£138,544	£138,544
Secondary School Costs	£808,119	£825,496	£855,727	£887,143	£905,468
Total Expenditure	£3,497,516	£3,531,174	£3,690,318	£3,692,363	£3,757,581
Income					
Free School Meals	-£1,045,228	-£1,045,228	-£1,067,724	-£1,067,724	-£1,090,220
Primary Meals	-£1,582,068	-£1,628,899	-£1,746,811	-£1,833,101	-£1,965,068
Secondary Meals	-£663,809	-£681,624	-£712,207	-£744,319	-£778,037
Special School Meals	-£27,047	-£27,858	-£29,857	-£31,350	-£33,586
Miscellaneous Income	-£121,445	-£121,445	-£121,445	-£121,445	-£121,445
Traded Income	-£3,865	-£7,181	-£7,380	-£30,350	-£15,988
Total Income	(£3,443,461)	(£3,512,235)	(£3,685,424)	(£3,828,288)	(£4,004,343)
Overall					
Pre-tax (Surplus)/Deficit	£54,055	£18,938	£4,894	(£135,925)	(£246,762)
Corporation Tax (at current 20% rate)	£0	£0	£0	£27,185	£49,352
Net (Surplus)/Deficit	£54,055	£18,938	£4,894	(£108,740)	(£197,410)

40. The above table indicates that the company will operate at full cost recovery in 2020/21 with a surplus of £108,740 available to reinvest in the service. An additional surplus of £197,410 would be generated in 2021/22 to reinvest in the service.

41. It is anticipated that the Council would continue to invest in the service/company during the first 3 years, in order to:

- Cover the deficits generated in the initial years;
- Fund a new Business Development Officer post;
- Work with schools to increase school meal uptake in addition to investing in marketing and developing bespoke menus; and
- Invest in the development of commercial opportunities in order that once launched the company would be in as strong as possible position to maximise its newly acquired ability to trade externally and generate income.

42. The recommended investment programme would be as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Council Investment	£200,000	£150,000	£100,000	0	0	£450,000

43. This investment would be funded by achieving full cost recovery and therefore would not be an additional cost to the Council compared with the current budget (which includes an element of subsidy) as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22
Breakfast club	£577,300	£580,250	£580,250	£580,250	£580,250
ALN Budget	£63,336	£63,336	£63,336	£63,336	£63,336
Primary School Delegation	£642,105	£642,105	£656,374	£656,374	£670,643
Secondary School Delegation	£425,002	£467,362	£476,900	£476,900	£486,438
Secondary Client Budget	£84,116	£0	£0	£0	£0
Special School Delegation	£45,154	£45,154	£46,075	£46,075	£46,997
School Milk Grant	£23,500	£23,500	£23,500	£23,500	£23,500
Council Investment	£200,000	£150,000	£100,000	£0	£0
Total Budget	£2,060,513	£1,971,707	£1,946,435	£1,846,435	£1,871,164
Previous Year's Budget	£2,099,828	£2,060,513	£1,971,707	£1,946,435	£1,846,435
Yearly Saving	£39,315	£88,806	£25,272	£100,000	-£24,729
Cumulative Saving	£39,315	£128,121	£153,393	£253,393	£228,664

44. The total cumulative revenue savings are therefore £228,664 and would be achieved in full in 2020/21.

45. There are risks associated with the selection of this model as described in the table below.

Risk	Likelihood	Impact	Mitigation
Headteachers use delegated budgets to provide service in house or use alternative providers	M	H	Headteachers have been involved in the development of the full business case. Communication of the benefits of remaining within the company will be conveyed.
The company is unable to compete to exploit the opportunities offered by the 20% Teckal exemption	M	H	Income generation opportunities have been identified as part of this report. However, full market testing will take place to ensure these are achievable.
Uptake does not increase to the required level to balance the budget	M	H	Engagement with Headteachers will be essential to ensure school meals are promoted to pupils and parents. Numerous opportunities to increase uptake have been identified in the above action plan.
The creation of the company will create additional duties and responsibilities for Directors and Shareholders	H	M	A full breakdown of the duties and responsibilities of Directors and Shareholders will be developed and communicated to all those affected.
The company does not decide to use in house support services, resulting in a loss of income for those services	M	M	Work has been completed to ensure central recharges reflect the work being undertaken.

Evaluation of the Internal Service Transformation & Local Authority Trading Company Models

46. The following table illustrates how the two short listed options (local authority trading company and internal service transformation) scored when appraised

against the Reshaping Service critical success factors. The full detail of the options appraisal can be found in [Appendix A](#).

	Internal Service Transformation	Local Authority Trading Company
Strategic Fit	9	16
Potential Value for Money	26	25
Potential Achievability	16	10
Potential Affordability	19	14
Impact on Service	21	38
Total	91	103

47. The local authority trading company achieved a higher score for strategic fit as it was able to demonstrate longer term needs being met as well as exploring an alternative delivery model. In terms of potential value for money, the models scored similarly due to their ability to achieve savings and ensure economy, efficiency and effectiveness of Council expenditure. The local authority trading company scored higher in its ability to generate funding for future investment purposes, whilst the internal option minimised financial risk to a greater extent. The potential achievability of the internal model was scored higher due to the more limited extent of change and experience the Council has in delivering projects of this nature. The local authority trading company would require a concentration of skills and capacity to deliver in an area of which the Council has limited existing experience. However, this could provide a template for future Reshaping Services projects exploring a similar model. In terms of potential affordability the internal model scored higher due to the more limited investment of both Council finance and resources. The final set of critical success factors explored the impact on the service adopting either model. In terms of customer service and control over service delivery, both models scored equally. The local authority trading company, however, was judged to have a significant advantage in terms of service sustainability, the ability to leverage commercial and income opportunities as well as engendering a sense of ownership of the service by the schools.
48. [Appendix D](#) provides a full analysis of the potential savings that could be achieved with the implementation of both models. The aim of both models is to operate the service and fully recover its costs. This will result in the removal of the current Council subsidy of the service. The maximum potential saving associated with both models is £228,664. The local authority trading company model is able to achieve this by 2020/21 and the internal transformation would achieve the full savings one year later.
49. After achieving full cost recovery the emphasis is therefore on the long term returns that could be generated and used to reinvest in the service and the

amount of Council ‘investment’ required to deliver this. The following table outlines the annual surpluses/deficits for both models from the service’s perspective:

	2017/18	2018/19	2019/20	2020/21	2021/22
Internal Service Transformation (Surplus)/Deficit	£97,559	£84,573	£58,928	£44,032	(£30,429)
LATC (Surplus)/Deficit	£54,055	£18,938	£4,894	(£108,740)	(£197,410)

50. The above shows that during the first 3 years, both models would result in a deficit if no Council funding was made available to the service. It is proposed that a level of investment drawn from the existing catering budget would be used on a tapering basis to support the delivery of each model. In 2020/21 the internal service transformation would result in a deficit of £44,032, whilst the local authority trading company would result in a surplus of £108,740. In 2021/22, both models show a surplus with the internal service transformation generating £30,429 and the local authority trading company generating £197,410.
51. During the first 5 years the company model would generate surpluses of £275,721 more than the internal service transformation model. This additional income could be reinvested in the service and school kitchens. The Council would invest £310k in the internal model and £450k in the local authority trading company over the period. However, Members will note the proportionately higher returns forecast for the trading company in comparison with the internal model.
52. When considering the two models to determine which is most appropriate for the catering service, the impacts on key stakeholders have been explored and details are contained in the Business Plans. An equality impact assessment has been completed for the preferred option and can be found in [Appendix E](#). The following table illustrates the impacts on a range of stakeholders for each option.

	Internal Service Transformation	Local Authority Trading Company
Service	<ul style="list-style-type: none"> Generates a surplus of £30,429 once full cost recovery has been achieved in year five. Future savings could still be required Limited ability to drive cultural change 	<ul style="list-style-type: none"> Generates surpluses totalling £306,150 in years four and five once full cost recovery has been achieved. Greater procurement flexibility A strong impetus to drive cultural change
Council	<ul style="list-style-type: none"> Full cost recovery achieved Limited impact on support services Significant experience implementing service transformation Control over the future direction of the service 	<ul style="list-style-type: none"> Full cost recovery achieved Potential impact on support services if the LATC decided to buy elsewhere Reduced operational control of the service whilst remaining liable for any losses incurred Contract monitoring would need to be resourced

		<ul style="list-style-type: none"> • Would involve the creation of a new model for the Council
Schools	<ul style="list-style-type: none"> • Future development of school kitchens restricted to annual budget and surpluses 	<ul style="list-style-type: none"> • Schools would be responsible for increasing uptake to maximise income • Future development of school kitchens reliant on profit
Customers	<ul style="list-style-type: none"> • Would see a change in the image of the service following rebranding • Bespoke service with new products • Potential for customers to still perceive Council run service less attractive than a commercial company. 	<ul style="list-style-type: none"> • Would see a change in the image of the service following rebranding • Bespoke service with new products

Preferred Option

53. Based on the evaluation above and the information contained in the Business Plans, the local authority trading company is considered to be the most appropriate model to meet the objectives of the project, which are:

- To identify and implement the most suitable service delivery model for the Catering Service
- To create an efficient service that is able to adapt to future financial challenges
- To capture opportunities to increase uptake and promote healthy school meals

54. This selection is due to the following:

- The ability to achieve full cost recovery by 2020/21, generating a total cumulative revenue saving to the Council of £228,664;
- Offers the potential to achieve significant surpluses that could be invested into the service and school kitchen. This would ensure the future sustainability of the service;
- Offers the ability to trade with external organisations to generate additional surpluses to invest in the service and school kitchens. Based on anticipated turnover in 2017/18, the Teckal exemption would allow the company to generate an additional income up to a maximum of £860,365, which could be reinvested in the service;
- A strong impetus to drive cultural change throughout the service to provide a more commercial approach;
- A change in relationship between the service and the Headteachers, resulting in greater involvement in the day to day running of the service;
- Provides a separate identify from the Council which, based on other examples, is likely to result in increased uptake of school meals;

- Greater procurement flexibility would allow the service to adapt to the needs of customers. This could include providing locally sourced food for example;
- Provides an opportunity for the Council to develop knowledge, skills and experience of greater commerciality that could be applied to other services as appropriate in the future.

55. An equality impact assessment has been carried out having due regard to the protected characteristics in schools for staff and pupils. It is considered that the preferred model of the local authority trading company will have neutral impact on the protected characteristics as the service will continue to meet Section 512 of the Education Act 1996 (LEA functions concerning provision of meals). Any changes to this function will be reported in a timely manner to Members. The EIA can be viewed in [Appendix E](#).

Implementation

56. The Business Plan sets out the activities that would be undertaken by the service/company over a five year period. It is proposed that the local authority trading company would be created in year three of the business plan following two years of internalised service delivery. The following provides an illustrative high-level summary of the way in which it is proposed to implement the changes described in this report.

Date	Action
February 2017	<ul style="list-style-type: none"> • Pre-Cabinet preparation • Initial Cabinet consideration • Trade Union briefing • Staff briefing
March 2017	<ul style="list-style-type: none"> • Pre-decision Scrutiny (Learning & Culture and Corporate Performance & Resources) • Cabinet Determination
Subject to the above:	
April 2017 – March 2018	<ul style="list-style-type: none"> • Develop and implement meal uptake, vending and internal trading strategies. • Recruit Business Development Officer • Develop business cases for external trading opportunities. • On-going staff, trade union and elected member engagement.
April 2018 – March 2019	<ul style="list-style-type: none"> • Pre-transfer TUPE considerations and processes. • Development of Articles of Association and company registration preparation. • On-going development and implementation of meal uptake, vending and internal trading strategies. • Creation of the company to enable transfer of staff in year three. • Preparation for launch of external trading opportunities upon company creation. • On-going staff, trade union and elected member engagement.
April 2019	<ul style="list-style-type: none"> • Staff transferred from Council to company. • Contract with Council for provision of corporate responsibilities enacted. • Contracts in place between schools and the company for the provision of services. • On-going staff, trade union and elected member engagement.
April 2019 onwards	<ul style="list-style-type: none"> • Contract monitoring activity.

	• On-going staff, trade union and elected member engagement.
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57. Engagement and consultation with staff, Trade Unions, Headteachers, pupils and other stakeholders will be key to delivering the project successfully. A significant amount of engagement and consultation work with these stakeholders has been undertaken to date and more is planned. Details of this activity are described in the relevant section of this report below.

Resource Implications (Financial and Employment)

Human Resources and Employment Implications

58. Members will be aware that there are important human resource and employment relation implications associated with the implementation of the preferred option for the Catering Service. The option will require a clear communication and engagement strategy with staff and trade unions throughout the implementation period.

59. It is the intention of the Council that the company will continue to ensure existing trade unions are recognised and discussions will continue with the trade unions to enable them to support their members (and for facilities to be available to do so) during the transition to the new model.

60. The leadership team employment profile of the Catering service is provided in the Business Plan. As indicated within the Business Plan, it is proposed that whilst the titles of some posts may change (for example, the creation of a “managing director” post), the employment grades of all posts within the service will be unchanged as a result of the creation of the company in year three of the Business Plan. The adoption of these proposals would result in one additional post of Business Development Manager, which has been initially costed at grade I (and would be the subject of Job Evaluation if approved).

61. The current profile of the whole service is shown in the table below.

FTE	78.8
Headcount	163
Number of Secondary School Sites	5
Number of Primary School Sites	46
Number of Special School Sites	1

62. Members will be aware that the majority of the staff employed by the service are female and there is a concentration of part-time (i.e. less than 37 hour) contracts in use due to the nature of the service. This profile has been considered as part of the Equalities Impact Assessment which can be found in [Appendix E](#) and referred to throughout the report. The equality impact assessment makes reference to the current staffing profile and also the TUPE implications

associated with delivering the local authority trading company. The equality impact assessment identifies that the proposals will have a neutral impact to staff as terms and conditions will remain the same. Any changes will be reported to Members. The EIA can be viewed in [Appendix E](#).

63. The Business Plan was designed based on the existing number of staff at all levels of the Catering service being retained. No changes are proposed to the number, grade or duties of staff at the current time. The impact of the National Living Wage has been factored into the calculation of salary costs, with forecast uplifts in this rate across the five years. As such, no redundancy costs have been built into the Business Plan.
64. It is proposed that during the two year preparatory period, a process of on-going communication and engagement activity would be undertaken to ensure staff are supported and informed in the run up to the company being created. As illustrated in the timeline below, a formal process of consultation will be undertaken in the management of the transfer of staff to the new company.
65. Upon creation of the company in year three, a transfer of all in-scope staff would be undertaken to the company. In order to do so, the company will need to be created prior to the transfer taking effect (and a number of more senior graded staff be transferred to the company upon its initial creation).
66. The Council will be responsible for liaising with the company to ensure the transfer is undertaken in line with the Council's policies and procedures and the company will be responsible for the overall management of the transfer as required by the relevant legislation. The contractual terms and conditions of staff will be protected at the point of transfer. Details of the pension arrangements for staff are described in the Financial Implications section of this report below.
67. The transfer of staff from the Council's employment to that of the company will be undertaken in accordance with the TUPE regulations. This will include the consultation requirements which place obligations on both the transferor authority (the Council) and the transferee (the Company).
68. All staff who will be working for the local authority trading company will have the same terms and conditions.
69. A proposed time-line for the change process has been designed and reflects the complexities of the above. This has been formulated by Human Resources and Legal officers. The timeline aims to ensure the continuing engagement of staff and trade unions and the meeting of all statutory consultation requirements.
70. A summary of the timeline for the project is set out below. The timeline sets out the high-level activities only and would be subject to change as the project proceeds.

Key HR Activities	Description	Time-scale
On-going communication and engagement	Engagement and communication with staff and the trade unions.	Current – March 2019
Pension Transfer	Company would be required to apply for admitted body status to the LGPS	January 2019 – March 2019

Formal consultation in relation to a TUPE transfer	To meet statutory requirements. To be undertaken by the transferring council and the company. To include any “measures” that will be undertaken post transfer (i.e. any proposals regarding the staffing that the company is considering as required by the legislation).	January 2019 – May 2019
Management of TUPE transfer exercise.	Final scoping of transferring staff. Exchange of information. Completion of “due diligence”.	March – April 2019
Potential Transfer Date.	Formal transfer of remaining staff to new company employer.	April 2019

71. Members will be aware that staff and trade unions have been engaged throughout the formation of the project. It is proposed that should Cabinet endorse this report, staff and trade unions will be formally engaged during the timescale for consideration by Scrutiny Committees. The views of all of these stakeholders will then be reported back to Cabinet to inform any final determination. As described in the Consultation section of this report, Unison have helpfully provided a series of comments/questions to date and these (along with answers) can be found in Appendix [F](#) and [G](#) respectively.

Financial Implications

72. The Catering service was required to achieve financial savings totalling £347k in 2016/17 as part of the Final Revenue Proposals, including £300k from transformational change associated with the Reshaping Services Programme. These savings have been achieved on target through a combination of cost saving measures. As such, the project has concentrated on assessing the most appropriate model to enable the longer term sustainability of the service.

73. The financial implications of the two models are explored in detail in the Business Plans and also described above.

74. The adoption of the preferred option would involve two years of internalised service delivery, before the creation of the local authority trading company in year three.

75. Over the five year period, the Council will be required to invest a total of £450K in the service. During the first 2 years, the Council will invest £350k into the internal service to improve uptake, develop commercial opportunities and ensure the registration and setting up of the company. Once trading, a further investment of £100k will be made in the company, which is within the current de minimis level allowable under EU State Aid regulations (a maximum of 200k

Euro or approximately £170k at today's exchange rate valuation). In doing so the company would be created on a firm financial footing whereby it is ready to implement commercial opportunities having invested time and resources building the core 'business' of school meals uptake in the initial years. Members will note the availability of surpluses that are forecast from this model that would be available to reinvest in the service without necessitating Council capital expenditure.

76. When compared with the current budget, including Council subsidy of the service, a total of £228,664 in additional revenue savings for the Council is forecast over the 5 year period as a result of the creation of the company due to it fully recovering its costs.
77. The Council would enter into a contract with the company for a 3 year period to ensure compliance with relevant statutory duties, monitoring and administration of the free breakfast club provision and monitoring of the school milk grant. The Council will be required to resource the monitoring of this contract. This contract management role will be undertaken by the Learning and Skills Directorate.
78. The creation of the company has potential financial (and other operational) implications for the Council. Once established, the company would have to exercise a duty to ensure the services it commissions are cost effective to meet its needs. This includes services that are currently provided to the catering service, such as finance, ICT, HR and legal support. The Business Plan has been developed on the assumption that those services currently provided to the internal catering service would continue to be provided to the company. The Council will have to ensure that it can demonstrate competitive costs for the services provided in future years, however. Should these services not be competitive there is a risk that the company could commission them from elsewhere to protect the fiduciary duties of the company. As much of the overhead cost apportioned to the catering service is a proportion of employee posts or premises costs these are not easily "saveable" and as such, could result in an increase in recharges to other services as they would be apportioned over a reduced base. The Reshaping Service Corporate Services project is specifically looking at the level of recharges and remains cognisant of the projects across the Council that could impact.
79. Transfer under TUPE means that the employees have protected pension rights in either the Local Government Pension Scheme (LGPS) or a broadly comparable scheme. Continuing to offer the LGPS is considered preferable for staff due to the difficulty in assessing whether an alternative scheme is 'broadly comparable'. Under a TUPE transfer, whether under LGPS or a broadly comparable scheme, the deficit does not transfer – the new company starts with no inherited liabilities. Under the LGPS, the new employer would have to apply to become an 'Admitted Body' into the Cardiff and Vale Fund. The Vale of Glamorgan Council becomes the 'Admissioning Body' and an 'Admission Agreement' is set up between the Council and the Company. The Council effectively bears the risk of the arrangement and the contract requires a

guarantee to that end from the Vale of Glamorgan Council. The Council may require a bond in return from the new employer to insure against certain costs e.g. pension liabilities on redundancy. A report has been received from the actuaries, identifying the contribution rate of the Company, based on current staff in the pension scheme. The costs associated with admitting the Company to the LGPS are estimated at £5k and are included in the Business Plan.

80. Initial advice has been considered regarding the impacts of VAT. As the company would be separate from the Council, it would be required to account for VAT when invoicing schools for the number of meals served. However, schools will be able to claim the VAT back (as the Council does for purchases made itself). VAT advisors would be involved in the implementation of this model to ensure full compliance.
81. As the sole shareholder, the Council would be liable for any losses incurred by the company. Should the company fail to be viable, the Council would be required to assess options to continue the service in order to ensure its statutory duties continue to be discharged in relation to the provision of free school meals.
82. The Business Plan contains information relating to the way in which the Council's assets relating to the Catering service would be managed upon creation of the company. It is proposed that further work will be undertaken to ensure that the management of assets between the Council and the Company is effective and compliant with relevant legislation. This will be explored further during the first year of the business plan.

Sustainability and Climate Change Implications

83. This report is consistent with the Council's duty under the Well-being of Future Generations (Wales) Act (2015) which places a duty on the Council to exercise the sustainable development principle. In doing so, the Council is required to consider five things or ways of working to demonstrate that it is applying the principle. These ways include looking to the longer term when making decisions. This project is concentrated on the long-term viability of the service and the proposed model has been developed based on long-term sustainability. The development of the project has also demonstrated the involvement of staff, trade unions and headteachers. There is the potential for future collaboration on this service and there have been discussions with other local authorities about the potential for future collaboration in this area.

Legal Implications (to include Human Rights Implications)

84. There are a number of legal and statutory implications which Cabinet needs to be aware of in regards to establishing a wholly owned company for trading purposes. The implications are reflected in the body of this report and also in [Appendix C](#) which is the business case that supports the recommendations in this report.

85. Specifically, a local authority is able to establish a Local Authority Trading Company (“LATC”) through powers in section 95 of the Local Government Act 2003. A Local Authority is permitted to trade in anything that it is authorised to do under its ordinary functions. This provision does not permit a local authority to trade in a statutory service which they are already obliged to provide with a person with whom they are already obliged to provide it, or to use the power where there is already existing trading powers.
86. Article 2 of the Local Government (Best Value Authorities) (Power to Trade) (Wales) Order 2006 supports this. The company in question must be one within the meaning of Part 5 of the Local Government and Housing Act 1989, so would be one which is limited by shares or guarantee (section 67 of the Local Government and Housing Act 1989).
87. Section 512 of the Education Act 1996 permits a Local Education Authority to provide milk, meals, and other refreshments to registered pupils at any school maintained by the authority, other persons who receive education at such a school, and children who receive relevant funded nursery education,
88. The Local Authorities (Goods and Services) Act 1970 enables Council’s to provide services to other councils and to other public bodies but not to the private sector or the public in general. The trading company will enable the authority to take advantage of trading opportunities that cannot be undertaken using the powers within the 1970 Act.
89. In order to ensure transparency and competitiveness with the private sector and not to breach the rules in relation to State Aid the company must not be subsidised by the authority. This means that the authority must recover the costs of any accommodation, goods, services, employees or any other support and financial controls to ensure that is the case and to demonstrate independence of the company from the authority.
90. From an employment law perspective, there are a number of obligations which arise. The transfer of staff from the Council’s employment to the local authority trading company will be undertaken in accordance with the Transfer of Undertakings Regulations 2006 as amended. Both the Council and the local authority trading company are aware of the Code of Practice on Workforce Matters and it has been taken into account in preparing the proposals which are set out in the business plan. Specific reference to the implications arising from the Code can be found of page 11 of the business plan.
91. Advice will be sought in relation to employment law as and when necessary during the course of the development of these proposals.

Crime and Disorder Implications

92. There are no specific crime and disorder implications associated with this report.

Equal Opportunities Implications (to include Welsh Language issues)

93. The Council has to satisfy its public sector duties under the Equalities Act 2010, including specific Welsh public sector duties. Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate

unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics.

94. Protected characteristics include:

- Age
- Gender reassignment
- Sex
- Race - including ethnic or national origin, colour or nationality
- Disability
- Sexual orientation
- Religion or belief - including lack of belief
- Pregnancy and maternity.

95. An equality impact assessment may have four possible outcomes, though more than one may apply to a single policy. These include:

- No major change – the impact assessment demonstrated that the policy was robust; there was no potential for discrimination or adverse impact. All opportunities to promote equality have been taken.
- Adjust the policy – the impact assessment identified potential problems or missed opportunities. The policy was adjusted to remove barriers or better promote equality.
- Continue the policy – the impact assessment identified the potential for adverse impact or missed opportunities to promote equality. The justification(s) for continuing with it have been clearly set out. (The justification must be included in the impact assessment and must be in line with the duty to have due regard. Compelling reasons will be needed for the most important relevant policies.)
- Stop and remove the policy – the impact assessment identified actual or potential unlawful discrimination. The policy was stopped and removed, or changed.

96. An Equalities Impact Assessment scoping exercise has been completed considering the implications of implementing the preferred option of the local authority trading company and can be found in [Appendix E](#). As highlighted throughout the report above, this proposal is considered to have a neutral impact on protected characteristics. Any changes will be reported to members in a timely manner.

Corporate/Service Objectives

97. This project forms part of the Reshaping Services transformational change programme and as such contributes to the Council's Corporate Plan 2016-2020.

98. The catering service makes an important contribution to the Council's Well-being Outcomes, in particular in a Aspirational and Culturally Vibrant Vale and an Active and Healthy Vale.

99. This project will contribute to the following internal/external plans, policies and strategies:

- Corporate Plan 2016-20
- Wellbeing of Future Generations (Wales) Act 2015
- The Healthy Eating in Schools (Nutritional Standards and Requirements) (Wales) Regulations 2013
- Food Information for Consumers Regulations (EU FIC)
- School Standards & Organisation (Wales) Act 2013

Policy Framework and Budget

100. This is a matter for Executive decision by the Council's Cabinet.

Consultation (including Ward Member Consultation)

101. The proposals contained in this report are the result of an eighteen month period of consultation and engagement with a series of stakeholders. The project team has recognised the importance of listening to a range of views, both internal and external to the Council in formulating the business case for change. This has involved periodic all staff briefings which have been well attended and the contribution of staff has been positive. A regular forum with the recognised trade unions has been established. It is proposed that these mechanisms (in addition to any other formal processes required) will be continued throughout the implementation of the changes.

102. It is proposed that this report be referred to the Learning & Culture and Corporate Performance & Resources Scrutiny Committees for their consideration before Cabinet reach a final determination on this matter. It is proposed that when being brought back to Cabinet to make this decision, the views of the Scrutiny Committees as well as staff and the trade unions will be provided in order for Cabinet to make a detailed and informed decision on how to proceed.

103. The following describes the specific consultation and engagement work that has been undertaken to date.

Staff and Unions

104. Cabinet will be aware of the significant process of engagement with staff that was delivered in the summer of 2015 whereby all members of staff were invited to a series of briefing sessions on the challenges facing the Council and introducing the response in the form of Reshaping Services.

105. In addition to these sessions, the Catering Manager ran a workshop with the Catering staff on the 24th July, 2015 to introduce them to the alternative service delivery models that have been considered as part of this project. Staff showed interest in the potential for an alternative delivery model to be adopted in future.

106. Staff engagement sessions were again held during August 2016 to provide an update on the project. All staff were invited (and their attendance outside of

contracted hours paid) and were given the opportunity to submit any questions on the project and describe their priorities for the future of the service. The feedback provided as part of this engagement exercise is included in [Appendix H](#).

107. There has been engagement with Trade Unions to date via both corporate and service specific forums. During the development of the business plans, Unison helpfully provided the project team with a number of questions/comments ([Appendix F](#)). The questions and comments were used throughout the development of the business plans and answers to the questions are included in [Appendix G](#).
108. A staff reference group was created to continue engagement with staff representatives. This group has met on a number of occasions and it is anticipated this group will be involved in the ongoing development and implementation of the model.
109. Consultation with staff and the recognised unions is legally required and will be on-going throughout this project as indicated in the timeline set out above in this report. It has also been taken account of when preparing the business plan.

Headteachers

110. The project team has attended both the primary and secondary Headteacher steering groups to provide an update on the project. Headteachers were given the opportunity to provide their priorities for the catering service and these have been included in the relevant business plans.
111. Headteachers have been involved from the beginning and continue to be updated on the progress of the project. The project team have attended both Primary and Secondary Headteacher Cluster Meetings to provide an update on the project. Headteachers were asked a number of questions on the current proposals during the Headteacher steering group. 9 Headteachers indicated that value for money was their main priority for the future service. 12 Headteachers expressed interest in being involved in the future of the school meal service and 14 Headteachers felt the local authority trading company model was worth considering for other services to schools.
112. As described in the report, it is proposed that the local authority trading company will operate with a “cooperative ethos”. This means that the company’s customers will be involved in decision making and it is proposed that there will be Headteacher representation on the Board of Directors.

Relevant Scrutiny Committee

113. It is proposed that this report be referred for consideration by the Learning and Culture Scrutiny Committee to consider the implications associated with the provision of school meals catering. It is also proposed that the report be referred to the Corporate Performance and Resources Scrutiny Committee for consideration in relation to the Reshaping Services programme due to the

preferred option being the creation of a local authority trading company and the financial (and other resource) implications associated with the proposals for the Council.

Contact Officer

Carole Tyley, Catering Manager

Officers Consulted

Managing Director
Head of Finance
Head of Human Resources
Head of Legal Services
Operational Manager, Human Resources
Operational Manager, Legal Services
Operational Manager, Strategy & Resources
Operational Manager, Accountancy
Operational Manager, Performance & Policy
Finance Manager, Learning and Skills
Senior Lawyer (Employment)
Personnel Officer
Equalities Officer

Responsible Officer

Paula Ham, Interim Director of Learning and Skills