

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 20 March 2018

## Corporate Catering Service - Update

Item number	7.8
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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At its meeting on 31 October 2017, the Governance, Risk and Best Value Committee considered a report on the corporate element of Edinburgh Catering Services, that included an update on the current trading forecast and an explanation of what had caused the recurring deficit position.

This report provides the Committee with a progress update, prior to a fuller report being submitted later in the year, following the closure of year-end accounts and a confirmed outturn position for this significant trading operation (STO).

## Corporate Catering Service

### 1. Recommendations

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- 1.1 That the Governance, Risk and Best Value Committee (GRBV):
- 1.1.1 Notes the content of this report.

### 2. Background

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- 2.1 At its meeting on 31 October 2017, the GRBV Committee considered a report on the corporate element of Edinburgh Catering Services, including an update on the current trading forecast and an explanation of what had caused the recurring deficit position.
- 2.2 The principal reasons for the financial position were highlighted as:
- the reduction in income is directly attributable to significantly enhanced levels of choice and competition, resulting in reduced internal spend on catering;
  - during the past three years there has been a significant reduction in Directorate/Service expenditure on teas, coffee and biscuits for meetings as part of the departmental efficiency arrangements;
  - the former integrated Property and Facilities Management (FM) model for the FM function led to difficulties with a lack of strategic and operational management, with catering expertise and experience, when the service was first integrated into the wider FM function; and
  - income generating activities, such as hospitality and events services at the City Chambers have historically been run at a low profit margin with, in some cases, internal events failing to cover total costs.
- 2.3 The report highlighted a number of measures that were being implemented via an action plan to seek to address the deficit from financial year 2018/19 onwards. Committee requested an update in March 2018, which is the purpose of this report.

### 3. Main report

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#### Action Plan Progress

- 3.1 The outline action plan presented to Committee, on 31 October 2017, has been implemented and comprises four principal elements of financial control, workforce/HR controls, supplier contracts and branding/customer engagement.

### **Financial Controls**

3.2 This action seeks to reduce costs and maximise income generation by way of increasing uptake of meals by staff, coupled with a new pricing policy:

- all corporate sites have been targeted with a reduction in total operating costs, capped spend on disposables, chemicals and sundries which has resulted in a forecast reduction of £38k on financial year (F/Y) 2016/17;
- tariff increase has been submitted in-line with inflation for next year's budget – 5%;
- City Chambers tasked with income maximisation on internal events, e.g., current internal events that do not cover costs must be addressed as income continues to fall behind forecast;
- credit/debit card facility launched across the estate – as of January 2018, 12% of transactions now made by card payment;
- The Commercial Manager within Facilities Management has realigned support services allocations to provide further budget savings; and
- increased partnership working with Culture team to enhance City Chambers as a wedding venue, e.g., opportunity has promoted at wedding fairs.

### **Workforce/HR Controls**

3.3 This action seeks to align the staffing profile to income generation by maintaining a robust focus on managing down levels of sickness absence and reducing backfill agency costs and reliance:

- long term sickness absence has fallen significantly resulting in labour costs being down £33k on the same period to date 2016/17;
- agency costs have been reduced to their lowest level in the last quarter with an annual efficiency of 5% on the same period 2016/17. Individual sites are now self-covering holiday leave and sickness;
- recruitment has been completed to backfill all long-term vacancies resulting in minimising overtime; and
- increased supervision and staff management due to the removal of Catering from mainstream Facilities Management function.

### **Supplier Contracts**

3.4 This action seeks to work with the current procurement framework to deliver best value supply to corporate catering:

- new coffee contract is due to go live in April 2018 and will see better value and quality products. Forecast of 15% saving on current contract;
- renegotiation of the Brakes contract has seen a discount being returned on purchases to the corporate estate; and

- new vending machine contract in place, with early feedback indicating an additional £700 (gross) weekly revenue.

### **Branding/Consumer Engagement**

- 3.5 The action seeks to encourage greater uptake with enhanced offerings across the commercial estate:
- work has commenced with colleagues in Communications and Design around promoting the service and enhancing the look and feel of catering facilities. The service has successfully retained the Healthy Living Award for 2018;
  - a corporate catering improvement team, within existing resource, has been set up to specifically address improvements at Waverley Court and City Chambers; and
  - investment in equipment which will enable further overhead savings and reduce waste, e.g., the enhancement at the City Chambers means that the kitchen facilities can accommodate larger events.
- 3.6 As reported to Committee on 31 October 2017, it is envisaged that the above service improvements will start to accrue benefits in the latter part of F/Y 2017/18 and thereafter. This acknowledges that the improvement action plan will require time to be implemented and embedded, in the anticipation that the profitability will improve from 2018/19 onwards. The report highlighted that the forecast F/Y 2017/18, month 5 position was -£127k. The current forecast for F/Y 2017/18, as detailed in section 5, is -£53k.
- 3.7 In tandem with the above, there are opportunities to consider alternative delivery models or service re-provision in the future, including a partnering model or franchise approach. These are longer term considerations that could mostly impact on smaller sites such as the East Neighbourhood office. The primary focus is to ensure a financially sustainable service model, which is better placed to respond to an increasingly competitive market and performs consistently well.

## **4. Measures of success**

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- 4.1 Implementation of the proposed action plan to achieve cost efficiencies and improvements.

## **5. Financial impact**

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### **5.1 Summary 3 Year Financial Performance**

	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
	£000	£000	£000	£000
<b>Turnover</b>	915*	901	980	1,297

<b>Surplus</b>	0	0	0	0
<b>Deficit</b>	-53*	-191	-232	-66

\*forecast

## 6. Risk, policy, compliance and governance impact

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6.1 None.

## 7. Equalities impact

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7.1 There are no equalities and rights impacts as a result of this report.

## 8. Sustainability impact

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8.1 Not applicable.

## 9. Consultation and engagement

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9.1 Not applicable.

## 10. Background reading/external references

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10.1 [Edinburgh Catering Services](#) – report to Governance, Risk and Best Value Committee, 31 October 2017

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## 11. Appendices

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None.