

ITEM No ...4.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 28 OCTOBER 2019

REPORT ON: TAYSIDE MEALS CENTRE

JOINT REPORT BY: EXECUTIVE DIRECTORS OF CORPORATE SERVICES AND CHILDREN & FAMILIES SERVICE

REPORT NO: 369-2019

1 PURPOSE OF REPORT

1.1 Following the recent decision by Perth and Kinross Council not to proceed as part of the Tayside Meals Centre this report advises on the implications for Dundee City Council and recommends the way forward.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee:

- Note the decision by Perth and Kinross Council not to proceed as part of the Tayside Meals Centre;
- Consider the content of this report and the implications for Dundee City Council's continued involvement in the Tayside Meals Centre;
- Agree that Dundee City Council proceed with the implementation of a cook-freeze centralised meals production facility at Tay Cuisine (the Tayside Meals Centre), for the delivery of the primary, elements of secondary school, community meals and early learning and childcare (ELC) meals service.

3 FINANCIAL IMPLICATIONS

3.1 Appendix 1 provides information on the revised anticipated savings that will be achieved across Dundee City Council and Angus Council without any detriment to the quality of service. Appendix 1 details Dundee's Council's share of these savings which amounts to £421k in direct savings plus £21k as a share of additional Tayside Contracts surpluses generated (£442k in total).

3.2 This compares to previous anticipated savings in Report 48-2019 of £484k in direct savings plus £28k as a share of additional Tayside Contracts surpluses generated (£512k in total).

3.3 The calculations in the recast appendices to this paper, take account not only of Perth and Kinross Council's withdrawal from the project but also update the anticipated impact on labour costs. As can be seen from Appendix 2 the movement arising from the refining of staffing structures in both Council areas has resulted in significant movement in the estimated labour cost savings. At the time the initial staffing structures and associated labour costs were estimated neither Angus nor Dundee City Council plans for the delivery of 1140 hours were at an advanced stage. Over the past year more specific staffing information has enabled a more accurate assessment of what frontline staffing structure will be required by August 2020.

3.4 The original project costs featured an estimated one-off £100k outlay from each of the 3 Councils for their school estate infrastructure costs, this figure remains at £100k for each of Dundee City Council and Angus Council.

3.5 The original project outlay estimate also featured £1.9m (£800k Tay Cuisine building conversion costs; £500k Tay Cuisine equipment costs; £200k Hub equipment costs; £400k professional fees and other project costs). Without PKC, the CPU Project cost of £1.9m will now have a payback period of 3.8 years compared to a project investment payback period of 2 years in the original proposal

4 MAIN TEXT

- 4.1 Reference is made to Article III of the Minute of the Policy and Resources Committee of 28 January 2019 wherein members approved the recommendations to progress with the implementation of a cook-freeze centralised meals production facility at Tay Cuisine (the Tayside Meals Centre), for the delivery of the primary, elements of secondary school, community meals and early learning and childcare (ELC) meals service. The financial implications included in report 48-2019 were based on the understanding that Perth and Kinross Council and Angus Council and the joint committee of Tayside Contracts were also required to make decision on this proposal.
- 4.2 Report 48-2019 provides the background to the development of a production facility at Tay Cuisine (the Tayside Meals Centre). Details are summarised below.
- 4.3 The current school meals service delivery model does not take full advantage of the opportunities now available through advances in food science over recent years which have led to frozen fresh meals now being equal in quality to freshly cooked meals.
- 4.4 Dundee City Council is working to deliver the Scottish Government's policy to expand early learning and childcare provision by August 2020. As part of this expansion there will be a requirement to provide a meal for children in ELC provision. The increase in funded provision from 600 hours to 1,140 hours per year is estimated to result in an additional 1.2 million meals per annum being required across Tayside.
- 4.5 The main advantages of the Tayside Meal Centre are:
- a viable solution to meeting the required additional ELC meal provision,
 - financial savings,
 - improved food safety, meal quality and meal choice.
- 4.6 The Policy and Resources Committee of 28 January 2019 agreed to proceed with the implementation of a cook-freeze centralised meals production facility at Tay Cuisine for the delivery of the primary school, elements of the secondary school, community meals and ELC meals service. The financial implications of this decision based on the understanding that Angus Council, Perth and Kinross Council and the joint committee of Tayside Contracts were also required to make decisions on this proposal.

5.0 CURRENT POSITION

- 5.1 Perth and Kinross Council have recently decided not to proceed as part of the Tayside Meals Centre. This decision has implications for the project business case as presented in the original report.
- 5.2 For Dundee City Council the service rationale for the development of a production facility at Tay Cuisine (the Tayside Meals Centre) remain as summarised in this report.
- 5.3 The decision by Perth and Kinross Council has however altered the financial model and benefits associated with the Tayside Meals Centre. As a result, Tayside Contracts have reviewed and revised the projected costs and savings associated with the implementation of the Tayside Meals Centre across Dundee and Angus only.
- 5.4 The revised financial implications are detailed in Section 6 of this report but the headlines are:
- Tayside Meals Services will continue to provide a net saving to Dundee City Council.
 - This is projected on a full year basis to be £442k as opposed to £512k as stated in Report 348-2019.

- The one-off contribution from Dundee City Council of £100k to fund the estimated infrastructure costs remains unchanged. There will continue to be an equal contribution of £100k from Angus Council.
- Tayside Contracts' capital investment of £1.9m will now have a payback period of 3.8 years compared to the 2 years in the original proposal.

5.5 It should be noted that as in Report 48-2019 the projected financial implications are based on assumptions and the most accurate service delivery projections that can be made at this stage. Since January 2019 these assumptions have been revised and refined as more detail becomes known.

5.6 Whilst the substantial increase in meal demand through the ELC initiative will result in a net increase of 38 Tayside Contracts posts with the introduction of the TMC model, this model does remove the need for skilled catering employees outwith the TMC. Tayside Contracts has consulted with the Trade Unions and the potentially affected employees to reassure them that the implementation of the TMC model will not result in any existing employees being out of a job and that there is a high degree of confidence that no employees will experience detriment of any kind following the introduction of the TMC model (e.g. a reduction in grade, hours, etc). Tayside Contracts will achieve this through promotion to positions in the new structure or to promoted posts in secondary schools, early retirement/voluntary redundancy, and through the normal turnover of staff. Tayside Contracts is also of the view that the implementation of the TMC and the associated modernisation of the service, cost-efficiencies, service improvements and capacity for service expansion afford Tayside Contracts' catering workforce far greater job security than the existing service delivery model ever could.

5.7 Based on the fact that the service rationale for the development of the Tayside Meals Centre remains as detailed in Report 48-2019 and that the revised financial modelling continues to deliver financial savings to Dundee City Council and Angus Council, it is recommended that Dundee City Council continue to proceed with the implementation of a cook-freeze centralised meals production facility at Tay Cuisine (the Tayside Meals Centre), for the delivery of primary, elements of secondary school, community meals and early learning and childcare (ELC) meals service

5.8 The expansion in meal numbers required in Dundee City associated with the increase in early years and childcare provision is a significant factor in the proposals in this report. This increase in meal numbers for early years makes the case for a single meal production facility more compelling financially but it is also driven by the practical challenges of being able to increase meal production through existing kitchen facilities. If members were not minded to support the proposals in this report urgent action would be needed to determine just how Dundee City Council would meet the required increase in meal provision in circa 10 months' time.

5.9 Angus Council, on 8 October 2019, agreed to continue with the implementation of the Tayside Meals Centre.

6.0 POLICY IMPLICATIONS

6.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

7.0 CONSULTATIONS

7.1 The Council Management Team have been consulted in the preparation of this report.

8.0 BACKGROUND PAPERS

8.1 None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

DATE 7 OCTOBER 2019

PAUL CLANCY
EXECUTIVE DIRECTOR OF CHILDREN & FAMILIES SERVICE

DATE 7 OCTOBER 2019

CENTRAL PRODUCTION UNIT ANGUS COUNCIL & DUNDEE CITY COUNCIL ONLY	ANGUS	DUNDEE	DUNDEE COMMUNITY MEALS	DUNDEE	AC/DCC
SUMMARY AND COMPARISON OF COSTS AND VOLUMES	SCHOOLS	SCHOOLS		TOTAL	TOTALS
Total charge to client (current service, 190 days budget)	£4,061,067	£4,719,408	£920,800	£5,640,208	£9,701,274
Total charge to client (CPU + ELC)	£4,942,838	£5,636,916	£607,424	£6,244,340	£11,187,178
Increase in total charge to client	£881,771	£917,508	(£313,376)	£604,132	£1,485,904
Total volume (current service, 190 days budget)	1,458,206	2,071,448	240,000	2,311,448	3,769,654
Total volume (CPU + ELC)	1,812,556	2,532,008	240,000	2,772,008	4,584,564
Increase in total volume	354,350	460,560	-	460,560	814,910
Average charge per meal (current service, 190 days including subsidy)	£2.785	£2.278	£3.837	n/a	£2.574
Average charge per meal (CPU + ELC, including subsidy)	£2.727	£2.226	£2.531	n/a	£2.440
Primary School Meal Price	£2.100	£2.150			
Reduction in average charge per meal	(£0.058)	(£0.052)	(£1.306)	n/a	(£0.133)
<i>Reduction in average charge per meal %</i>	<i>(2.1%)</i>	<i>(2.3%)</i>	<i>(34.0%)</i>	<i>n/a</i>	<i>(5.2%)</i>
<i>Reduction in "parent subsidy" proportion of total client charge %</i>	<i>8.5%</i>	<i>40.6%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Projected value of reduction in charge per meal at 190 day budgeted volume	(£84,541)	(£107,820)	(£313,376)	(£421,196)	(£505,736)
FOR INFO ONLY					
Savings as per Appendix 1 of original Committee Report	£109,480	£165,087	£319,376	£484,463	£1,020,077
Reduction in revenue savings as a result of PKC withdrawal	£24,939	£57,267	£6,000	£63,267	£514,341
Current model surplus for distribution (190 days budget)					£198,732
Proposed model surplus for distribution					£267,000
Increase in surplus for distribution (PKC assumed @ £25,055)	(£21,982)			(£21,231)	(£43,214)
Profit share 18/19 as per Joint Committee paper	32.2%			31.1%	
Total annual benefit of proposed model for Angus and DCC	(£106,523)			(£442,427)	(£548,950)
Investment required (estimate)					
Building conversion					£800,000
Equipment					£700,000
Professional fees and consultants					£400,000
Tayside Contracts total					£1,900,000
Councils	£100,000			£100,000	£200,000
Combined total					£2,100,000
Payback period (years)					3.8

APPENDIX 2

ORIGINAL					REVISED				
Direct labour posts increase/(decrease)	Angus	Dundee	CPU	Total	Direct labour posts increase/(decrease)	Angus	Dundee	CPU	Total
Grade 6			2	2	Grade 6			2	2
Grade 5	(14)	(20)	4	(30)	Grade 5	(14)	(20)	4	(30)
Grade 4	(1)	(2)		(3)	Grade 4	(1)	(2)		(3)
Grade 3	10	15	6	31	Grade 3	10	15	5	31
Grade 2	(3)	(1)	6	2	Grade 2	(3)	(1)	5	2
Grade 1	(5)	(47)	10	(42)	Grade 1	(14)	(39)	7	(42)
Total posts increase/(decrease) excluding ELC	(13)	(55)	28	(40)	Total posts increase/(decrease) excluding ELC (Adjusted per refined staffing structures)	(22)	(47)	23	(46)
Allowance for ELC posts (As required by a CPU model)	40	41	4	85	Allowance for ELC posts (As required by a CPU model)	40	41	3	84
Net posts increase/(decrease) including ELC	27	(14)	32	45	Net posts increase/(decrease) including ELC	18	(6)	26	38
					Difference in posts required arising from refined staffing structures September 2019	(9)	8	(6)	(7)
Direct labour increase/ (decrease) in basic pay	Angus	Dundee	CPU	Total	Direct labour increase/ (decrease) in basic pay	Angus	Dundee	CPU	Total
Basic pay increase/ (decrease) exc ELC (ie CPU Savings)	(£147k)	(£592k)	£363k	(£376k)	Basic pay increase/ (decrease) exc ELC (ie CPU Savings)	(£147k)	(£592k)	£363k	(£376k)
					Adjusted per refined staffing structures September 2019	(£226k)	(£494k)	£273k	(£447k)
					Difference in labour costs arising from refined staffing structures September 2019	(£79k)	£98k	(£90k)	(87k)
Allowance for ELC basic pay (CPU Model Only)	£267k	£298k	£33k	£598k	Allowance for ELC basic pay (CPU Model Only)	£267k	£298k	£33k	£598k
Basic pay increase/ (decrease) including ELC	£120k	(£294k)	£396k	£222k	Basic pay increase/ (decrease) including ELC	£41k	(£196k)	£306k	£151k
<p>The revised table above illustrates the movement in post numbers and labour costs associated with the withdrawal of PKC from the CPU project and the refining of staffing structures required to deliver ELC meals with a CPU production and distribution model.</p>									

In view of the timescales involved this report was approved by Executive Director of Corporate Services and Executive Director of Children & Families Service, in consultation with the Convener of the Policy and Resources Committee Labour Group Spokesperson, Conservative Group Spokesperson, Liberal Democrat Group Spokesperson, the Independent Member and the Lord Provost.

GREGORY COLGAN
Executive Director of Corporate Services

7th October, 2019
Date

PAUL CLANCY
Executive Director of Children & Families Service

7th October, 2019
Date

JOHN ALEXANDER
Convener of Policy and Resources Committee

10th October, 2019
Date

KEVIN KEENAN
Labour Group Spokesperson

11th October, 2019
Date

DEREK SCOTT
Conservative Group Spokesperson

11th October, 2019
Date

FRASER MACPHERSON
Liberal Democrat Group Spokesperson

11th October, 2019
Date

GREGOR MURRAY
Independent Member

11th October, 2019
Date

IAN BORTHWICK
Lord Provost

14th October, 2019
Date

