

Report to CABINET (Part A)

Catering Review Implementation

Portfolio Holder:

Cllr Arooj Shah, Cabinet Member for Building a Better Oldham

Cllr Mohon Ali, Cabinet Member for Education

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Reason for Decision

The purpose of this report is to inform Cabinet of the current financial and operating position of Oldham Education Catering Service (OECS) which provides catering for 46 schools in Oldham. There are a number of issues of concern for the delivery of the service including increasing costs of quality local food supplies, increasing costs for staff and a continued decline in the number of schools contracting with the Council. With the continued roll out of academisation, it is anticipated that the number of schools contracting with the Council will continue to reduce over the coming years.

In response to the challenges faced by OECS, the Association for Public Service Excellence, (APSE), were commissioned to undertake an evidence based independent review. The report highlights a number of options which we would like Cabinet Members to note through this report.

Executive Summary

OECS is the in-house school catering function that provides school meals: this is not a statutory function of the Council and schools have been opting to use various alternative services for several years now.

OECS provides approximately 7,700 meals per day and employs 199 catering staff. There are 87 Primary School in the Oldham Borough, however OECS only provides catering services for 46 of those: the remaining schools which are not supported by OECS use established providers within the school meals market, or operate a successful in-house catering service. It is anticipated that the number of schools contracting with the Council will reduce in the coming years due to private companies offering schools a competitively priced service, and as a consequence of new business decisions as schools are academised.

The independent APSE review identified a number of service areas which require substantial investment whilst recognising this could take a considerable period of time to complete. However, even with this investment, the report cautions that whilst this provides an opportunity for the service to balance costs versus budget, this is not guaranteed. The report therefore concludes that the current delivery model is not sustainable and that transitioning the service back to schools would provide a number of benefits including local decision making for schools, (for example menu choices), and increased integration of the catering function with other school services, whilst protecting local jobs and allowing a continuity of service within schools.

Recommendations

The Cabinet are asked to:

- Note the content of this report and the commencement of engagement with schools across the borough.
- Approve the transition of the school catering provision from OECS to schools through a comprehensive and supportive change management process.
- Approve the withdrawal of the OECS from the school meal provider market no later than September 2025.

Catering Review Implementation

1 Background

- 1.1 Schools commission a meals service provider to provide a free and paid offer for pupils. They have the duty to ensure nutritional standards are followed by their chosen service provider and they are responsible for ensuring that the staff employed by the provider are subject to reasonable terms and conditions of employment.
- 1.2 Oldham schools hold the budget for school meals and either purchase them through an existing provider in the market, via OECS or provide an in-house catering function.
- 1.3 As the council continues to look towards innovation, service improvement and financial efficiencies OECS was selected for a service review. To ensure an independent and broader view of the service could be obtained APSE were commissioned to complete an independent review of the current operating model, outline potential options and advise on a recommended option moving forward.

2 Current Position

- 2.1 OECS is the in-house school catering function that has historically provided school meals, this is not a statutory function of the Council and can be delivered through various alternative models.
- 2.2 OECS provides approximately 7,700 meals per day and employs 199 catering staff. There are 87 Primary School in the Oldham Borough, however OECS only provides catering services for 46 of those, with this number expected to reduce in the coming years. The remaining schools which are not supported by OECS use established providers within the school meals market or operate a successful in-house catering service. It is anticipated that the number of schools contracting with the Council will reduce in the coming years due to private companies offering schools a competitively priced service,
- 2.3 To ensure increasing food and staffing costs are covered, the obvious solution is to increase the price of a school meal, but this is problematic as the Council is very aware of the cost of living pressures on numerous families, and headteachers have identified that any further increase would result in a further decline in uptake of the school catering service, which accelerates the problem. APSE indicate that the standard model forecasts a 1% reduction in uptake for each 5p rise in meal price.
- 2.4 It is predicted that demand for the service will decrease in the future which will prevent any current advantages from economies of scale. Of the 46 schools currently being catered by OECS, it is currently anticipated that approximately 8 schools are expected to become Academies in the coming months. Traditionally Academies have a much lower uptake of the OECS offer and therefore academisation could see service market share further reduce by 17%. To ensure effective and efficient service delivery, OECS cannot function if more schools withdraw their services as the effective service delivery tipping point has been reached. With evidence that previous schools decisions to academise, select other school meal providers, or to bring their catering services into the school budget and staffing structures has proved to be successful. Therefore, it has become evident that OECS cannot continue in its current form, given the issues outlined including the diminishing market, and the forecast increasing cost pressures.

3 Options

3.1 The APSE report listed various options to address the challenges faced by the OECS service, and these have been categorised into four options, which are:

3.2 Option 1: Do Nothing

The OECS service could continue with the existing operating model, which faces inefficiencies, increased costs due to food and labour inflation, recognition from schools that the existing offer requires strengthening and a diminishing customer base as schools transition away from the service. This would result in the Council requirement to find significant additional funds to continue with an inefficiently run service.

Based on the reasons outlined above this option has been rejected.

3.3 Option 2: Maintain In-house as a Stand-Alone Service.

The report by APSE recognised that there is an option to invest in the current service. The review identified a number of areas to strengthen the existing service which would require substantial investment of officer time and cost to restructure the service whilst recognising this could take a considerable period of time to implement. The investment would also take place against the backdrop of a contracting market share with less schools taking up the catering service.

However, even with substantial investment the report cautions that, whilst this provides an opportunity for the service to balance costs versus budget, this is not guaranteed. On this basis Option 2 was rejected.

3.4 Option 3: Outsourcing to an External Provider/Partner

The APSE report identified five delivery models to consider in outsourcing to an external provider, these include:

- *Outsourcing/ Contracted to an external organisation* – the council contracts out the service delivery to a private sector company or not for profit.
- *Arm's Length Organisation (ALEO)* – the council sets up an organisation that is a separate legal entity, but the council retains oversight and control.
- *Partnership/ Shared Service Agreement* – the council will share services and work on a partnership basis.
- *Joint Venture* – a partnership between two or more organisations, pooling resources
- *Social Enterprise or Community Led Company* – Social enterprises exist at the intersection of the private and volunteer sectors. They seek to balance activities that provide financial benefits and social goals.

Whilst there are variations to each of the five models, they all have advantages and disadvantages that require careful consideration. Across all five models they have characteristics including:

Potential Advantages, which include, but are not limited to:

- cost savings and increased efficiency.
- Scalability
- empowerment of schools to determine and control the catering standard to be delivered.

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- removal of financial and reputational risks associated with the provision of school catering for the council.
 - enabling the Council to focus on core business activities.

However, the various approaches also have a number of disadvantages including, but not limited to:

- loss of partial or full control for the service to a third party
- loss of partial or full decision making
- attract negative reputational damage and negative publicity
- Increase the level of bureaucracy with various levels of governance
- potential for disagreements and shared liability
- Lack of transparency
- Clash of organisational values, beliefs, and cultures
- Introduction of new processes, systems, and procedures.
- Changes to staff Terms and Conditions

Whilst the APSE report outlined five potential models, due to the complexities, risks and time taken to implement a solution this option has been rejected.

3.5 **Option 4: Transition Catering Service to Schools – Recommended Option**

The transition of School Catering back to schools to provide them with the freedom and flexibility to design the service offer locally. Most recently Manchester City Council have transitioned their catering provision back into schools whilst experiencing similar challenging conditions as Oldham outlined earlier in this report.

Responsibility for the provision of school catering and catering staff would sit with the schools directly. It has been determined by APSE that continuing to subsidise the service is not a viable option for the council due to decreasing demand and increasing labour and food costs.

The benefits of the approach are outlined on the following page.

Potential Key Benefit	Description
Increased Quality	<ul style="list-style-type: none"> An in-house service would allow for a more precise and tailored menu planning process which could make specific allowances for pupil and cultural diversity within each school.
Maintain Low Meal prices	<ul style="list-style-type: none"> Keeping the service in house would require a price increase which is predicted to lead to a 1% reduction in uptake for each 5p rise in meal price. The school meal price was previously stable however, it has seen two increases in the past two years. Schools would not have the substantial corporate shared services overhead costs.
Autonomy for Schools	<ul style="list-style-type: none"> By transitioning the service to schools, they would have greater control and autonomy with regards to their catering provision. Schools would be able to work directly with catering staff to co-produce menus and tailor the provision to the specific needs of their pupils.
Consistency across Schools	<ul style="list-style-type: none"> OECS only caters for approximately 51% of all Oldham schools, the remaining schools are catered for by established contract caterers or successfully operated in-house by the school. Currently these schools have a competitive advantage by having full control over their catering provision. If the council were to transition the catering responsibility to all the remaining schools provided by OECS, the borough would have a completely school-led catering provision tailored to each individual school.
Increased Integration of Catering Staff in Schools	<ul style="list-style-type: none"> This option would be the most beneficial option for current catering staff, who would be protected under TUPE, or face a change in line management. Staff would be under direct management of schools, giving schools greater flexibility in developing their catering offer. There would be a closer integration between catering staff and individual schools, making the provision more suited to the specific needs of the school.
Financial Efficiencies	<ul style="list-style-type: none"> Delivering this option would result in a reduced cost pressure for the council. Schools would be able to directly manage the financial position of their catering offer.

If the preferred option of transitioning the catering service to schools is approved the intention is to transfer in readiness for the 1st September 2025.

4 Consultation

- 4.1 The APSE independent review was commissioned by the council and the review included extensive consultation with Headteachers and OECS staff across the borough, and research into the service itself including its current operating procedures, performance, resourcing, and trading position.

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- 4.2 If the recommended option is approved further consultation and engagement will be undertaken to enable a smooth transition of the catering service to schools with the various stakeholders including, but not limited to, staff and Head Teachers, Governing bodies and Academy Trusts.
- 5 **Financial Implications** (John Hoskins, Finance Manager)
- 5.1 All financial information is contained within the Part B report.
- 6 **Legal Implications** (Alex Bougatef - Interim Borough Solicitor)
- 6.1 All legal information is contained within the Part B report.
7. **HR / People implications** (Wendy Jackson - Assistant Director of HR and OD – Interim)
- 7.1 All HR information is contained within Part B of the report.
- 8 **Equality Impact, including implications for Children and Young People**
- 8.1 Yes
- 9 **Key Decision**
- 9.1 Yes
- 10 **Key Decision Reference**
- 10.1 ESR-21-24
- 11 **Appendices**
- 11.1 Contained within Part B of the report.