

**ANGUS COUNCIL**

**CHILDREN AND LEARNING COMMITTEE – 29 JANUARY 2019**

**POLICY & RESOURCES COMMITTEE – 29 JANUARY 2019**

**THE DEVELOPMENT OF TAYSIDE MEALS CENTRE (TAY CUISINE)**

**REPORT BY IAN LORIMER, HEAD OF FINANCE AND LEGAL AND PAULINE STEPHEN, HEAD OF SCHOOLS AND LEARNING**

**ABSTRACT**

This report summarises the proposal to change and modernise the way primary school and Early Learning and Childcare (ELC) meals are delivered across Tayside. The rationale for this change is predominantly in relation to ongoing meal production capacity pressures arising from the expansion of ELC provision in August 2020. The change that is proposed will also benefit meal production within secondary schools

**1. RECOMMENDATIONS**

It is recommended that the Children & Learning Committee:

- (i) Notes the content of the report and agrees to 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 school and ELC meals service.
- (ii) Notes that Angus, Dundee City and Perth and Kinross Councils are progressing the report within their Councils and will require to seek approval from their respective committees. The joint committee of Tayside Contracts is also required to approve this proposal.

It is recommended that the Policy & Resources Committee:

- (i) Approves the contribution from Angus Council of £100k to fund the estimated infrastructure costs, this to be funded from the Council's capital budget. There will be an equal contribution of £100k each from both Dundee City Council and Perth and Kinross Council to cover their estimated infrastructure costs. See paragraph 6.3 below.
- (ii) Notes that Dundee City Council will be asked to give approval to Tayside Contracts to borrow up to £1.9m from Dundee City Council's Prudential Loans Fund.
- (iii) Notes that Tayside Contracts requires to make a capital investment of up to £1.9m in order to develop and implement the centralised production facility model.

**2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN**

2.1 This report contributes to the following local outcome(s) contained within the Angus Local Outcomes Improvement Plan and Locality Plans:

- The best start in life for children
- More opportunities for people to achieve success
- Improved physical, mental and emotional health and wellbeing

2.2 This report contributes to the following Council priorities:

- We want to maximise inclusion and reduce inequalities
- We want Angus Council to be efficient and effective

### 3. BACKGROUND

3.1 Tayside Contracts currently provides circa 3.5m school meals and 210k community meals per year. The school meals are provided to 152 primary schools across Tayside. The meals in Tayside are produced in 70 production kitchens and transported to 82 schools with dining centres/finishing kitchens.

### 4. CURRENT POSITION

4.1 The current service delivery model is outdated. It is overly-labour intensive and does not exploit 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. The cooking and freezing of meals in a facility further enhances food safety through the greater food safety controls achievable in a single centre as opposed to over 70 kitchens across Tayside. These factors make a strong case for moving to a cook-freeze based centre.

4.2 Angus is working to deliver the Scottish Government's policy to expand early years provision by August 2020. There will be a requirement to provide a meal for children in early learning 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.

4.3 An options appraisal exercise has been undertaken to explore how to develop the current provision:

#### 4.3.1 Business as usual

In the current and anticipated future climate, business as usual is not viable. Budget savings are expected across Council services for the foreseeable future. The school meals service would be required to contribute to the Councils' required savings, particularly as there are significant savings opportunities within the meals service, as detailed in this report. It should also be noted that all indications are that Government initiatives will lead to a substantial increase in demand for meals for children and young people outwith term-time.

4.3.2 **Reduce the choice and quality of school and community meals and provide cold meal alternatives.** There is no consensus to reduce the quality of the meals service and this is considered to be an option likely to deliver poor outcomes for children and their nutrition.

#### 4.3.3 Less commitment to pursuing the Scottish Government's healthy eating agenda

A decrease in the current level of compliance with legislative requirements could result in reduced production costs. Similarly, meal uptake could be improved by going into direct competition with local shops and food outlets who do not comply with the Scottish Government's requirements with regard to nutritional standards and healthy eating. However, the Councils and Tayside Contracts are committed to fully complying with the Schools (Health Promotion and Nutrition) Scotland Act 2007 and supporting the Scottish Government's healthy eating initiatives to realise the vision for a Scotland where 'we live longer healthier lives'. Therefore, there is no merit in pursuing this option.

#### 4.3.4 Rationalisation of production kitchens

Recent innovations have improved the equipment used to transport meals from production kitchens to dining centres. Better equipment has improved the quality of the transported meals, making it possible for Councils to generate savings by converting production kitchens to dining centres. Over a number of years, the Tayside Councils have converted many production kitchens to dining centres with Angus Council already having made significant savings from this approach. As this practice has been implemented over a fairly lengthy period of time, most of the opportunities to convert production kitchens to dining centres have been taken. The introduction of free school meals for children in P1 to P3 absorbed most spare production capacity in kitchens and makes this option less attractive.

#### 4.3.5 **Tayside Meal Centre**

There are a number of benefits in adopting a central model for the production of school and community meals. The main advantages are significant financial savings, improved food safety, meal quality and meal choice. Therefore, on all counts, this is clearly the preferred option for taking the school, ELC and community meals services forward. Appendix 3 provides details of the wide-ranging benefits associated with adopting the proposed Tayside Meal Centre. If all three councils are in agreement to this proposal this will help maximise the efficiencies that will be available.

#### 4.3.6 **Alternative frozen meals provider**

Research has confirmed that other potential frozen meal providers either do not have the capacity to supply the volume of meals required for Tayside schools or do not produce meals which comply with the Scottish Governments 'Schools (Health Promotion and Nutrition) Scotland Act' 2007 (the '2007 Act') and the 2008 Regulations.

### 5. **PROPOSALS**

5.1 The proposal is to prepare school and community meals through a single Tayside Meal Centre with meals being provided to pupils through the distribution model outlined below. This will involve providing early learning and primary school meals and elements of the secondary schools menu through this centre. The intention is to also provide the community meals (currently provided by Tay Cuisine) through this model for Dundee City Council only. In the proposed Tayside Meal Centre, there will be a mixture of four different types of school kitchens:

1. **Distribution Hub** – These are kitchens with sufficient capacity to store and finish meals for onsite service and despatch to Mini-hubs and Dining Centres. They will operate in the same way as the on-site hubs (see below) the only difference is that these units will finish meals from the Tayside Meal Centre for Mini-hubs/Dining Centres.
2. **On-Site Hub** – These are kitchens with sufficient capacity for storage and finishing meals for their own site. They will receive frozen elements of the meal from the Tayside Meal Centre which are heated and supplemented by additional items delivered direct from suppliers. These hubs will have sufficient space to store the additional items which will be used to prepare the meal ready for service.
3. **Mini-hub** – They will receive pre-heated elements of the meal from their Distribution Hub. These will be supplemented by deliveries direct from suppliers which will be stored and prepared onsite ready for service.
4. **Dining Centre** – These will be fully reliant on their Distribution Hub for all elements of the school lunch which will be delivered from their Distribution Hub ready for service.

5.2 Existing production kitchens which are to be converted to distribution hubs will need some upgrading to cope with the production capacity for the number of meals required from each site. It is anticipated that these works will be carried out during the school holidays to minimise disruption to school activities.

5.2 The conversion of the existing Tay Cuisine building, rather than a new build, is considered to be the most cost-efficient method of creating a base for the new service. This is a less expensive alternative than a new build option elsewhere in Tayside since it will involve main fit out costs rather than the construction of a whole new facility. In addition to the comparative ease of converting Tay Cuisine, there are also additional financial benefits (i.e. transport costs) in delivering a Tayside-wide service from a relatively central location.

5.3 The main risk associated with the introduction of a meal centre model would be a significant reduction in school meal uptake due to a misperception that frozen food is inferior to fresh food. Tayside Contracts visited Cordia's cook-freeze production unit, which provides school meals for the city of Glasgow, and they indicated that their experience of introducing the new system did not impact on meal uptake numbers. Tayside Contracts also visited Clackmannanshire Council, which adopted the cook-freeze model some time ago, and they reported a similar experience of no drop-off in meal numbers. This was attributed to the development and implementation of a stakeholder consultation and communication programme which reduced concerns about frozen

meals prior to implementing the new service. Tayside Contracts has indicated that they will develop a similar appropriate stakeholder consultation and communication plan.

- 5.4 Currently there are approximately 173 children and young people on a special diet menu within Angus. There are also large numbers of children and young people on special diet menus within Dundee and Perth and Kinross. This potentially means there are nearly 200k special diet meals required per annum. The provision of special diet meals, some of which can be extremely complex, can be challenging when produced in individual production kitchens. Centralising the preparation of these meals in the Tayside Meal Centre means a dedicated special diet kitchen will be in operation. An appropriately trained specialist team will be developed to manage the process more effectively, this will reduce the margin for error and be more efficient and cost effective.
- 5.5 The current Tay Cuisine facility provides community meals in Dundee but not in the Angus or Perth & Kinross Council areas. In Angus, the Angus Health & Social Care Partnership (AHSCP) has responsibility for arranging the provision of community meals and has an existing contract in place which meets its needs. The proposed new Tayside Meal Centre will have the capability and capacity to provide community meals in Angus should this be a preferred option as part of subsequent commissioning decisions to be made by AHSCP. However this is not part of the proposals or the financial detail included in this report.
- 5.6 If approved, Tayside Contracts, working with the three councils will draw up appropriate marketing and promotional plans to support this major process change. This will include 'tasting sessions' and information programmes that promote the quality of the cook-freeze meal service. This will be an essential element of the change process to ensure that this is seen as an opportunity to increase the percentage of young people using the meals service as well as gain the confidence of adult users and organisations.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 Appendix 1 provides information on the anticipated savings that will be achieved across Tayside without any detriment to the quality of service, as it is anticipated that this model would offer an improved service in respect of food safety and quality. Appendix 1 details Angus Council's share of these savings which amounts to £109k in direct savings plus £29k as a share of additional Tayside Contracts surpluses generated (£138k in total).
- 6.2 The cost savings to Angus Council from the proposed move to a Tayside Meal centre are proportionately lower than those expected for the other 2 Councils. This is mainly due to the Angus area already having made significant savings in previous years from rationalising the number of production kitchens in comparison to the other 2 Councils. In addition the savings for Dundee City Council reflect the added benefit associated with community meals which is not a factor for Angus in this assessed savings. The estimated savings as outlined in Appendix 1 have been subject to sensitivity testing and Tayside Contracts are confident about the delivery of the project and achievement of the financial savings.
- 6.3 The one-off cost of converting Tay Cuisine to a cook-freeze facility is estimated to be in the region of £1.3m. This figure includes £800k building conversion costs and £500k for installation of additional production equipment.
- 6.4 There will also be costs associated with the rationalisation and alteration of existing production kitchens to become distribution hubs, on-site hubs or mini hubs. While the precise cost of these alterations will not be known until after the procurement process, the estimated costs are £500k, of which it is anticipated that Tayside Contracts will fund equipment costs of £200k and Angus would fund their share of the estimated infrastructure costs of £100k (i.e. £300k across Tayside). This cost of £100k would require to be funded from the Council's capital budget in order that the savings generated by this proposal can be included in the Council's revenue budget.
- 6.5 It is estimated that additional costs for consultancy fees and other project costs will amount to circa £400k and these will also be paid by Tayside Contracts through borrowing.

- 6.6 Therefore, the total capital outlay for Tayside Contracts and the constituent Councils combined is estimated at a one-off cost of £2.2m
- 6.7 The majority of the savings resulting from this proposal will be through realigning staff costs to the new service delivery model structure. Staff cost savings across the school and community meal workforce will be around £1.9m, offset by increased staff costs at the Tayside Meal centre of around £0.8m per year, resulting in a net staff cost saving of around £1.1m year on year. This level of saving means a quick payback on the upfront investment of only 2 years.

## **7. OTHER IMPLICATIONS**

- 7.1 Appendix 2 illustrates that the introduction of the new facility, along with increase in the volume of meals due to the increase in the Early Years hours, will mean a net increase in total posts across Tayside of 36 posts. Within Angus it is anticipated there will be an overall increase of 27 posts compared to the current school meal model. Tayside Contracts does not envisage that there will be any compulsory redundancies. Staff restructuring will be achieved through natural employee turnover, voluntary redundancies and workforce planning which would ensure that only temporary employees were engaged in positions which would not be required in the longer term.
- 7.2 Although there is expected to be a net increase in posts in the Angus area as a consequence of the proposals in this report there is likely to be changes in the balance of staff on different grades with fewer higher graded staff in comparison to current provision. There will however also be opportunities for new posts in the Meal Centre which Angus staff may wish to pursue.
- 7.3 The expansion in meal numbers required in Angus and across Tayside 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 Angus Council would meet the required increase in meal provision in circa 18 months' time.

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Appendix 1: Financial Implications

Appendix 2: Labour Savings/Workforce Impact

Appendix 3: Project Benefits Register

## Appendix 1 - Financial Implications

CENTRAL PRODUCTION UNIT SUMMARY AND COMPARISON OF COSTS AND VOLUMES						
	ANGUS	DUNDEE	DUNDEE COMMUNITY MEALS	DUNDEE TOTAL	PERTH SCHOOLS	TAYSIDE TOTAL
	SCHOOLS	SCHOOLS				
Total charge to client (current service, 190 days budget)	£4,061,067	£4,719,408	£920,800	£5,640,208	£5,752,398	£15,453,673
Total charge to client (CPU + ELC)	£4,911,838	£5,566,916	£601,424	£6,168,340	£6,434,986	£17,515,164
<b>Increase in total charge to client</b>	<b>£850,771</b>	<b>£847,508</b>	<b>(£319,376)</b>	<b>£528,132</b>	<b>£682,588</b>	<b>£2,061,492</b>
Total volume (current service, 190 days budget)	1,458,206	2,071,448	240,000	2,311,448	2,021,750	5,791,404
Total volume (CPU + ELC)	1,812,556	2,532,008	240,000	2,772,008	2,442,600	7,027,164
<b>Increase in total volume</b>	<b>354,350</b>	<b>460,560</b>	<b>-</b>	<b>460,560</b>	<b>420,850</b>	<b>1,235,760</b>
Average charge per meal (current service, 190 days including subsidy)	£2.785	£2.278	£3.837	n/a	£2.845	£2.668
Average charge per meal (CPU + ELC, including subsidy)	£2.710	£2.199	£2.506	n/a	£2.634	£2.492
Reduction in average charge per meal	(£0.075)	(£0.080)	(£1.331)	n/a	(£0.211)	(£0.176)
<i>Reduction in average charge per meal %</i>	<i>(2.7%)</i>	<i>(3.5%)</i>	<i>(34.7%)</i>	<i>n/a</i>	<i>(7.4%)</i>	<i>(6.6%)</i>
<i>Reduction in "parent subsidy" proportion of total client charge %</i>	<i>(9.4%)</i>	<i>(44.5%)</i>	<i>n/a</i>	<i>n/a</i>	<i>(31.1%)</i>	
<b>Projected value of reduction in charge per meal at 190 day budgeted volume</b>	<b>(£109,480)</b>	<b>(£165,087)</b>	<b>(£319,376)</b>	<b>(£484,463)</b>	<b>(£426,134)</b>	<b>(£1,020,077)</b>
Current model surplus for distribution (190 days budget)						£198,732
Proposed model surplus for distribution						£287,664
<b>Increase in surplus for distribution</b>	<b>(£28,636)</b>			<b>(£27,658)</b>	<b>(£32,638)</b>	<b>(£88,932)</b>
Profit share 18/19 as per Joint Committee paper	32.2%			31.1%	36.7%	100.0%
<b>Total annual benefit of proposed model</b>	<b>(£138,117)</b>			<b>(£512,121)</b>	<b>(£458,772)</b>	<b>(£1,109,009)</b>
<b>Investment required (estimate)</b>						
Building conversion						£800,000
Equipment						£700,000
Professional fees and consultants						£400,000
<b>Tayside Contracts total</b>						<b>£1,900,000</b>
Councils	£100,000			£100,000	£100,000	£300,000
<b>Combined total</b>						<b>£2,200,000</b>
<b>Payback period (years)</b>						<b>2.0</b>

## Appendix 2 - Labour Savings/Workforce Impact

	Angus	Dundee	Perth	CPU	Total
<u>Direct labour posts increase/(decrease)</u>	No.	No.	No.	No.	No.
Grade 6			(2)	2	0
Grade 5	(14)	(20)	(10)	4	(40)
Grade 4	(1)	(2)	(26)		(29)
Grade 3	10	15	17	6	48
Grade 2	(3)	(1)	(12)	6	(10)
Grade 1	(5)	(47)	(17)	10	(59)
<b>Total posts increase/(decrease) excluding ELC</b>	<b>(13)</b>	<b>(55)</b>	<b>(50)</b>	<b>28</b>	<b>(90)</b>
Allowance for ELC posts	40	41	41	4	126
<b>Net posts increase/(decrease) including ELC</b>	<b>27</b>	<b>(14)</b>	<b>(9)</b>	<b>32</b>	<b>36</b>
<u>Direct labour increase/ (decrease) in basic pay</u>	Angus	Dundee	Perth	CPU	Total
Basic pay increase/ (decrease) excluding ELC	(£147k)	(£592k)	(£521k)	£363k	(£897k)
Allowance for ELC basic pay	£267k	£298k	£278k	£33k	£876k
Basic pay increase/ (decrease) including ELC	£120k	(£294k)	(£243k)	£396k	(£21k)

## **Appendix 3 – Project Benefits Register**

### **Standardised food quality**

Food quality is more effectively controlled in a single meal centre than in multiple production units

### **Improved food safety**

Overall food safety is easier to manage in one central location as there are fewer opportunities for cross contamination.

### **Improved economies of scale**

Setting production for large scale preparation of single menu items would maximise economies of scale by increasing the meals produced per hour, yield per employee, and reduced ingredient costs through less waste

### **Greater efficiency of the production assets**

Most property, plant and equipment (PPE) costs for a meal centre facility are fixed, whether the PPE is used five days a week for one single shift or seven days per week, twenty four hours per day. Therefore, using the building and equipment to full capacity will reduce the unit cost of each meal

### **Reduction in capital outlay for new builds**

The floor area required to accommodate a Hub kitchen and food service area is smaller than the floor area required for an existing full production kitchen which may produce a potential reduction in future new build costs.

### **Reduction in capital outlay for equipment and infrastructure**

A Hub kitchen needs significantly less equipment and services compared with an existing production kitchen

### **Reduction in kitchen equipment service contracts, maintenance and life cycle replacement**

Existing production kitchens require specialist service contracts for various pieces of plant, equipment and installations. In addition to their regular maintenance, some of this equipment requires statutory inspections and servicing. Hub kitchens require far less complicated equipment, with minimal servicing needs and are therefore less expensive

### **Greater capacity, more efficient, production equipment**

The proposed Tayside Meal Centre would be set up to produce single menu items. This would take full advantage of the production equipment's larger capacity, maximising production output and cost efficiency. Potentially, production equipment could operate twenty-four hours, seven days a week

### **Wider menu choice**

Lower volume menu items will be manufactured, then frozen and stored until required, allowing menu items with lower demand to feature in the menu.

### **Easier compliance with Special Dietary Requirements**

Special diets can often be more expensive to produce due to the small numbers. The proposed Tayside Meal Centre model would improve economy by allowing for increased volumes of production of specialised / restricted diet meals.

### **Reduced waste at production**

Producing large batches of single menu items reduces waste at production, due to the larger quantities of one menu item produced and portioned. Multiple production units producing small batches are more wasteful

### **Reduce waste at point of service**

Various sizes of multi-portion frozen containers will allow for the correct number of meals to send to hubs. More precise portion control will result in reduced waste at point of service

### **Nutritional quality**

Freezing immediately after cooking helps maintain goodness, flavour, vitamins and minerals. This method of food production has been in place in the hospitality and care sectors for many years and is increasingly used due to technological advances

### **Nutritional standards are easier to maintain**

A single production unit will allow for the highest levels of compliance with approved recipes and production methods. Multiple production kitchens increase the risk of deviation from recipes and production methods

### **Easier to store, manage and handle stock**

'Just in time' production methods will allow maximum efficiency in stock control and handling. Also, reduced space will be required for storage and the 'investment' in stock will reduce

### **Energy savings**

A Tayside Meals Centre will be more energy efficient than multiple production units, due to larger batch sizes and more efficient equipment, even when taking into account meal storage. Tayside Contracts' initial calculations need to be confirmed by an energy specialist

### **Environmental benefits**

Environmental benefits arise from a reduction in food miles as there will be fewer deliveries by various suppliers to primary kitchens. In addition, there is a reduction in the carbon footprint due to the more energy-efficient production method

### **Business continuity**

Business continuity is improved as interruptions to utilities immediately affects production in kitchens, however production within a centre will be typically at least 2 or 3 days *'in front'* of the menu, allowing production to catch up if interrupted

### **Civil emergencies**

A central method of service delivery would improve the Councils' capacity for a quick and effective response to civil emergencies

### **Increased pre-ordering**

Better use of pre-ordering (particularly in the smaller and rural schools) will provide more menu choice to pupils

### **Higher productivity**

More than twice as many meals can be produced using cook freeze methods per labour hour than standard production methods

### **Long term viability**

Many large-scale, well regarded catering businesses are benefiting from cook-freeze service models. Standing still within a food service environment is dangerous for the service's continued success. Food service providers must continually take advantage of innovation within the industry to protect the medium to long term viability of their business

**Maintains the ethos of 'Better Eating Better Learning'**

Maintaining quality and choice preserves the ethos of 'Better Eating Better Learning' by sustaining and increasing meal uptake and improving the dining experience.