

ITEM No ...3.....

REPORT TO: POLICY AND RESOURCES COMMITTEE – 28 JANUARY 2019

REPORT ON: TAYSIDE MEAL CENTRE

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES AND EXECUTIVE DIRECTOR OF CHILDREN AND FAMILIES SERVICES

REPORT NO: 48-2019

1.0 PURPOSE OF REPORT

This report proposes to change and modernise the way primary schools, Early Learning and Childcare (ELC) and Community meals are delivered across Tayside. The rationale for intervention, within Dundee, is in response predominantly to ongoing meal production capacity pressures arising from the introduction of ELC provision in August 2020. The change that is proposed will also benefit meal production within secondary schools and community meals.

2.0 RECOMMENDATIONS

2.1 It is recommended that Policy and Resources Committee:

- notes the content of the report and agrees to proceed with the implementation of a cook-freeze centralised meals production facility method for the delivery of the primary school, community and ELC meals service which is equal in quality to freshly cooked meals
- notes that delivery of community meals will also be included in this change, they will initially move locations for continued preparation of the cook-fresh meals while Tay Cuisine is converted. Thereafter this kitchen will become the 'community meals hub' and be supplied with frozen meals from the Tayside Meal Centre.
- notes that Angus 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.
- approves the contribution from Dundee City Council of £100k to fund the estimated infrastructure costs. There will be a similar contribution of £100k from both Angus Council and Perth and Kinross Council to cover their estimated infrastructure costs. See paragraph 3.3 below
- gives approval to Tayside Contracts to borrow up to £1.9m from Dundee City Council's Prudential Loans Fund and for Tayside Contracts to make a capital investment of up to £1.9m in order to develop and implement the centralised production facility model.

3.0 FINANCIAL IMPLICATIONS

3.1 Appendix 1 provides information on the anticipated savings that will be achieved across Tayside without any detriment to the quality of service, it is anticipated that this model would offer an improved service in respect of food safety and quality. Appendix 1 details Dundee City Council's share of these savings which amounts to £512k, this would be shared between Children and Families service £165k, Adult Health and Social Care £319k and Corporate Services £28k.

3.2 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.

3.3 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 Dundee would fund their share of the estimated infrastructure costs of £100k (i.e. £300k across Tayside). As indicated in section 2 above this cost of £100k would be funded from the savings generated by this proposal.

- 3.4 It is estimated that additional costs for consultancy fees and other project costs will amount to circa £400k.
- 3.5 Therefore, the total capital outlay for Tayside Contracts and the constituent Councils combined is estimated at a one-off cost of £2.2m
- 3.6 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.
- 3.7 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 Dundee it is anticipated there will be an overall reduction of 14 posts based on the current school model. However the new centre, which will be in Dundee, will require 32 new posts. Tayside Contracts does not envisage that there will be any compulsory redundancies. This 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.

4.0 MAIN TEXT

4.1 Background

- 4.1.1 The proposal is to provide school and community meals through a Tayside Meal Centre. This will involve providing nursery 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. This will significantly improve the cost effectiveness of the community meals service. These changes will provide significant benefit to Dundee, Perth and Kinross and Angus Councils and Health Partners utilising Tay Cuisine.
- 4.1.2 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.
- 4.1.3 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 also 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 considering a cook-freeze based centre.
- 4.1.4 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. It is estimated that a 'new build' in the Angus or Perth and Kinross areas would increase the required funding compared to the conversion of Tay Cuisine. 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.
- 4.1.5 In addition, the Scottish Government's introduction by August 2020 of providing a meal for nursery pupils in receipt of 1,140hours of early learning and childcare has strengthened this case further. 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 across Tayside.
- 4.1.6 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 would dispel 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.

4.2 Option Appraisal

4.2.1 An options appraisal exercise was undertaken and summarised below are the options that have previously been looked at.

4.2.2 Business as usual

In the current and anticipated future climate, business as usual (i.e. '*doing nothing*') is not acceptable. Budget savings are expected across Council services for the foreseeable future. The school and community 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 school pupils outwith term-time.

4.2.3 Reduce the choice and quality of school and community meals and provide cold meal alternatives. There was no consensus to reduce the quality of the meals service.

4.2.4 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.

4.2.5 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 Councils have converted many production kitchens to dining centres. 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 P1 to P3 pupils absorbed any spare production capacity in kitchens and makes this option less attractive.

4.2.6 Tayside Meal Centre

There are a number of benefits in adopting the central model for the provision of school and community meals, which are detailed throughout this report. 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.

4.2.7 Special Dietary Requirements

Currently there are over 500 pupils on a special diet menu within Dundee which equates to nearly 100k meals annually. There are similar numbers of pupils on special diet menu's within Angus and Perth and Kinross when combined. 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.

4.2.8 Alternative frozen meals provider

A survey confirmed that other frozen meal potential 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. In addition, taste tests carried out on frozen meals from other suppliers do not meet the high-quality standards our customers have come to expect.

4.2.9 Benefits of the proposed Tayside Meal Centre

Appendix 3 provides details of the wide-ranging benefits associated with adopting the proposed Tayside Meal Centre. If all three councils are committed to this proposal this will help maximise the efficiencies that will be available.

4.3 Operating Model

4.3.1 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. These centres will be exactly as they are now.

4.4 Business Continuity

4.4.1 Disruption to schools

Currently there are production kitchens and dining centres within the school estate. The production kitchens produce the meals which are then sent to the dining centres ready to be served to the pupils. 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 these works will be carried out during the school holidays to eliminate disruption to the school's activities.

4.4.2 Community meals

The conversion of the current Tay Cuisine facility will require the relocation of the Community meals hub which is likely to be located in a de-commissioned school kitchen. In the first instance, the chosen school location will be converted from an existing production kitchen to a dining centre for the school meal service delivery. The production side of this particular kitchen will then be used by the community meals team to produce fresh meals as they do at the moment. Eventually, this kitchen will become the 'community *meals hub*' and be supplied with frozen meals from the Tayside Meals Centre. This kitchen will then become a Distribution Hub for community meals.

4.4.3 Marketing and Promotion

Upon approval of this proposal Tayside Contracts, working with the three councils will draw up appropriate marketing and promotional plans to ensure that this major process change is successful. This will involve '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.

4.5 Conclusion

This report aims to illustrate the major benefits of moving to a cook-freeze delivery model for primary school meals across Tayside and community meals in Dundee. There is a strong business case for adopting this approach in respect of these services alone. However, the requirement for Scottish Councils to fully implement '*The Expansion of Early Learning and Childcare in Scotland*' by August 2020 will require the constituent Councils to provide an estimated additional 1.2 million meals per year to Council-run nurseries. The Tayside Meal centre option proposed in this report has been designed to ensure that it has the capacity to provide these additional meals as there appears to be no other practicable or affordable means of producing this volume of additional meals across Tayside.

5.0 POLICY IMPLICATIONS

- 5.1 This Report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk.

A copy of the Impact Assessment is available on the Council's website at www.dundee.gov.uk/ia/reports.

6.0 CONSULTATIONS

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

7.0 BACKGROUND PAPERS

- 7.1 None.

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5 December 2018

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
Increase in total charge to client	£850,771	£847,508	(£319,376)	£528,132	£682,588	£2,061,492
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
Increase in total volume	354,350	460,560	-	460,560	420,850	1,235,760
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)
Reduction in average charge per meal %	(2.7%)	(3.5%)	(34.7%)	n/a	(7.4%)	(6.6%)
Reduction in "parent subsidy" proportion of total client charge %	(9.4%)	(44.5%)	n/a	n/a	(31.1%)	
Projected value of reduction in charge per meal at 190 day budgeted volume	(£109,480)	(£165,087)	(£319,376)	(£484,463)	(£426,134)	(£1,020,077)
Current model surplus for distribution (190 days budget)						£198,732
Proposed model surplus for distribution						£287,664
Increase in surplus for distribution	(£28,636)			(£27,658)	(£32,638)	(£88,932)
Profit share 18/19 as per Joint Committee paper	32.2%			31.1%	36.7%	100.0%
Total annual benefit of proposed model	(£138,117)			(£512,121)	(£458,772)	(£1,109,009)
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	£100,000	£300,000
Combined total						£2,200,000
Payback period (years)						2.0

Appendix 2 - Labour Savings/Workforce Impact

	Angus	Dundee	Perth	CPU	Total
Direct labour posts increase/(decrease)	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)
Total posts increase/(decrease) excluding ELC	(13)	(55)	(50)	28	(90)
Allowance for ELC posts	40	41	41	4	126
Net posts increase/(decrease) including ELC	27	(14)	(9)	32	36
Direct labour increase/ (decrease) in basic pay	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.

