



COUNCIL CABINET
27 JULY 2010

Report of the Scrutiny Management Commission

Options Appraisal of School Meals Provision in the City

SUMMARY

This report, setting out the view of the Scrutiny Management Commission, is intended to be read in conjunction with that on the same subject by the Chief Executive.

RECOMMENDATIONS

The Commission resolved to make these recommendations to Cabinet.

- 1.1 To note the recommended options A and B2 and also request that Council Cabinet explore the potential merits of Option C.
- 1.2 To note the other recommendations at 2.2 to 2.4

SUPPORTING INFORMATION

Reasons for recommendations:

- 2.1 With regard to recommendation 1.1, the main report included a table under the financial implications (see page 11 and 12) which detail the amount of subsidy required for each of the five options. In fact 8 sets of figures were provided because Option B has two soft market testing prices for two variants. The target cost reduction is £800k per year, so as to avoid any continuing subsidy. In fact, only one Option A potentially provides for a zero subsidy; all the rest require a subsidy. Two of the options – D and E - would lead to a greater subsidy being required.
- 2.2 Apart from Option A which can potentially provide a zero subsidy, the second best economic option is B2, where the figures from Company 1 suggests would require £100k subsidy. This requires a degree of caution for two related reasons:
 - Company 2's figures for the same option B2 would require the much higher figure of £580k per year.

- As the report makes clear, the costs are derived from soft market testing and may prove higher if a full tender process is followed.
- 2.3 The Commission also wish to see detailed consideration and appraisal of Option C. The revenue subsidy required would be £140k per year, which is only £40k more than the Company 1's figure for B2. Although there would be one-off redundancy costs those are marginally less than for Option A. Although this would not mean cook-from-scratch at school sites it would guarantee that meal production was undertaken locally and provide work for Derby people. Being in-house it could offer simple management arrangements and avoid the transaction costs of monitoring contract compliance.
- 2.4 Option C would require capital investment of £1.5m and the report says this could be financed from the overall savings (para 4.35). This would need to be risk assessed: if further schools withdraw from the service it would be underutilised. The underlying issue is whether the Council assesses its school meals service as in unavoidable, continuous contraction or as having the future potential to win back some of the schools that have opted out. This may be gauged in the autumn term and may hinge on whether heads and governors accept that the options of on-site cook from scratch are not affordable, as the table on page 11 indicates. If provision of school meals is the core activity, there may also be scope to expand the service to produce meals for others needing large scale catering either on a regular basis eg for works canteens or one-off social events. This should also be explored as it offers the potential to spread overhead costs and/or reduce unit costs.
- 2.5 With regard to recommendation 1.2 above, the Commission concurred with recommendations 2.2 to 2.4 in the main report including the short term measures to reduce the deficit.

<p>For more information contact: Rob Davison 01332 255596 e-mail rob.davison@derby.gov.uk</p> <p>Background papers:</p> <p>List of appendices: Appendix 1 – Implications</p>

Appendix 1

IMPLICATIONS

1	Financial)	
2	Legal)	
3	Personnel)	All as set out in the report
4	Equalities impact)	of the Chief Executive
5	Corporate Priorities)	