

RECORD OF EXECUTIVE DECISION

Tuesday, 16 September 2014

Decision No: (CAB 14/15 13249)

DECISION-MAKER:	CABINET
PORTFOLIO AREA:	EDUCATION AND CHANGE
SUBJECT:	FUTURE CONSIDERATION FOR CITY CATERING BUSINESS MODEL
AUTHOR:	Graham Talbot

THE DECISION

- (i) That, subject to further consultation as required and clarification of the risks and costs around pensions, Cabinet approve in principle the transfer of the City Catering service to a Charitable Mutual Company (Limited by Guarantee) with effect from 1st April 2015
- (ii) To delegate authority to the Director, People to carry out such consultation, due diligence and other ancillary actions as may be necessary in relation to (i) above.
- (iii) To delegate authority to the Director, People to consider and determine the outcome of any necessary consultation referred to at (ii) above and, in light of all material considerations, to determine whether or not to proceed with the establishment of City Catering as a Charitable Mutual Company (Limited By Guarantee) following consultation with the Cabinet Member for Education and Change, the Cabinet Member for Adult Social Care, the Cabinet Member for Resources and Leisure and the Chief Financial Officer.
- (iv) To agree that, subject to the satisfactory conclusion of discussions with the Hampshire Pension Fund, the new Mutual Company becomes an admitted body member of the Hampshire Pension Fund; and to agree that this will be on the basis of a closed scheme (i.e. closed to new entrants)
- (v) To agree that the Council will act as guarantor for any future potential cessation deficit which could arise on the Mutual company's admitted body pension, as set out in paragraphs 24-30.
- (vi) To delegate authority to the Chief Financial Officer to approve the final arrangements with regard to the new Mutual Company gaining admitted body status.

REASONS FOR THE DECISION

1. The evolving market place that City Catering operates in has changed and will continue to do so. Individual schools and academy groups are demanding bespoke service solutions that meet their individual needs, both in terms of service delivery and administrative support. City Catering's ability to offer flexible service solutions to this evolving market is significantly compromised by its current business structure.
2. If City Catering is to retain its market share and continue to support the education process in schools, and academic achievement of their pupils, in an economical and effective manner the service needs to evolve to meet the current and future needs of its customer base.
3. City Catering proposes a "spin-out" of the service to form a Charitable Mutual Company, funded and owned by the schools that it services and governed by a board of Trustees. This business model will allow the service to develop to meet its customer's future needs and retain market share. Further consultation on this option with key stakeholders may be considered should this be necessary to inform future direction and/or the final design of this service delivery option.

DETAILS OF ANY ALTERNATIVE OPTIONS

1. Retain the service in-house and reduce the SLA charges to schools to lower the cost of service and retain levels of SLA buy back. Schools showed little interest in this option as it did not give them any greater control over future service provision / style and they questioned the sustainability of this offer. Five schools have recently withdrawn from the service and this is indicative of potential future trends.
2. Form a Local Authority Trading Company to deliver the school meal service. The formation of a LATCo does not deliver any greater control or influence for schools, and therefore has little positive influence on the level of SLA buyback. This option is also the costliest for the council to implement.
3. Put the service out to tender to the private sector / other Local Authority catering service. This option was rejected as schools viewed this alternative as giving them even less influence / control over future service standards / costs. This option would require the majority of schools to sign up to it for it to be remotely viable. The funds generated by the service would, in effect, leave the city in the form of profit for the contractor.

OTHER RELEVANT MATTERS CONCERNING THE DECISION

None

CONFLICTS OF INTEREST

None

CONFIRMED AS A TRUE RECORD

We certify that the decision this document records was made in accordance with the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 and is a true and accurate record of that decision.

Date: 16th September
2014

Decision Maker: The Cabinet

Proper Officer: Judy Cordell

SCRUTINY

Note: This decision will come in to force at the expiry of 5 working days from the date of publication subject to any review under the Council's Scrutiny "Call-In" provisions.

Call-In Period expires on

Date of Call-in *(if applicable) (this suspends implementation)*

Call-in Procedure completed *(if applicable)*

Call-in heard by *(if applicable)*

Results of Call-in *(if applicable)*