

Efficiencies in Catering

The pressure continues to find further savings in Catering, despite a raft of Government initiatives around breakfast clubs and universal infant free school meals. This paper attempts to highlight the main areas where costs reductions can be sought. It is not possible to compile a complete list and further ingenious ways of saving money will be found and technology will produce new opportunities. This is the second issue of this document and it will be reviewed and reissued when appropriate in the future.

Authorities should additionally seek to boost meal numbers to increase revenue, however that is a large topic and not covered within this paper. In those countries subject to Universal Infant Free School Meals, there will be an inevitable boost in the short term, however this funding is currently only guaranteed until 2016.

Service providers should also be encouraged to diversify and maximise income by selling their services to a wider set of customers. (Visit the APSE Trading and Charging web portal <http://www.apse.org.uk/apse/index.cfm/members-area/special-interest-portals/trading-and-charging/trading/> for further details)

1.0 Accounting structures

The structure of catering in most local authorities consists of at least three elements. The largest is typically school meals catering, followed distantly by staff and civic catering and welfare 'meals on wheels' catering. School meals are often delivered on a contractual or quasi-contractual basis through service level agreements although with the advent of academies and free schools, contractual agreements are possible. Meals are income generating although often subsidised either by the host authority, via Government grant or as a benefit through 'free school meals'. When seeking cost reductions, these should be sought on the expenditure. Crude cuts based on turnover and often combined with recruitment freezes run the risk of damaging the underlying service. A better methodology is to require increases in the surplus (profit margin) of the service thus allowing services to take on further 'profitable' work whilst attacking costs.

1.1 Cost recovery

It is noticeable that Authorities have different approaches to cost recovery for school meals. A suggested method of charging is a unit price per meal based on an agreed daily volume, unit price reducing with increased volume. A suggested meal price is given but the school allowed to charge a different amount. If the school charges less than the unit cost charged then it subsidises the shortfall, if more it makes a surplus. This places the risk of any loss mainly with the school and acts as encouragement to boost meal numbers. (See APSE Briefing 11/22)

Additional duties such as time to set out furniture are charged at a set hourly rate in addition to the cost of meals. Several authorities use a similar 'cost-plus' recovery system for recovery of all the meal costs including food and labour

With fully devolved school budgets, cross subsidy has become increasingly difficult, if not redundant. Many school meals services generate a surplus, but where they don't the level of subsidy provided for the school meals service is a matter for each council to determine locally having considered all the relevant factors and does not rest ultimately with the meal provider. Service provision to a school at a continuing loss should be reviewed and terminated if a break-even position is not achievable.

2.0 Expenditure

Whilst income may come from multiple sources, expenditure and opportunities for cost reduction apply across the service. Cost of delivering catering will obviously differ between authorities and on the mix of services delivered but by way of example, APSE performance networks details the following typical structure for education catering:

Cost area	% total cost
Front line staff costs	47.21%
All staff costs	53.21%
Food costs	30.94%
Direct Costs	84.15%
Overheads	15.85%
Central establishment changes	4.65%

Clearly staffing and food costs are the most significant items and therefore the element where small improvements will produce the largest savings. Staff costs equate closely to number of staff hours worked and therefore cost savings normally rely heavily on a reduction in hours with an assumption of an accompanying higher productivity. Potential savings under each heading will be detailed following:

3.0 Front line staff costs

3.1 Productivity

APSE performance networks have established an average figure of 8.84 meals per staff hour for primary schools catering staff. Size of school and uptake will have a significant effect on this and productivity as high as 13.89 meals/hour has been recorded and as low as 5.37 meals/hour.

Productivity rates, whether those established by APSE or other organisations should be compared against those used internally. Where it is apparent that productivity is low a calculation based on average productivity should be used to provide a starting point for further investigation. Staffing is always the most contentious area of cost reduction and consequently the area avoided by many managers. Difficult though it might be, the correct balance has to be struck between number of meals and staffing hours to ensure the financial viability of the catering service.

3.2 Personal targets

Although wider targets are often too blunt an instrument, locally agreed targets with staff provide a focus and require local costs to be questioned. Setting targets for increased uptake amongst a school catering team or an increased surplus on secondary and civic catering outlets frequently results in performance improvement. Praise for better performers and assistance for the weaker engenders a culture of cost saving.

3.3 Sickness absence

Average sickness in catering is 4.64% according to APSE performance networks data. There are examples of catering services who have managed to reduce the overall sickness figure down to below 3%. This has been achieved through combination of strict adherence to the 'Bradford' method for managing absence and timely management enforcement. The system for monitoring sickness needs to highlight absences immediately and action to follow very shortly afterwards. Too often action is taken many days after the absence and ceases to act as a deterrent or capture the cause.

A reduction in sickness absence reduces the need to arrange cover which has additional cost, often involving transport and management time. A 2% reduction in sickness absence can equate to a £10,000 saving per £1 million turnover.

4.0 Management Costs

From a customer point of view the value of the area managers, administration and senior management is often hidden. The number of intermediate staff in the management structure will reflect the geography and type of schools and outlets but benchmarking with other authorities will identify whether numbers are

appropriate. As a guide, if the ratio of supervisors to establishments is below 1 to 35 then a managed reduction may be appropriate

Similarly training is an essential but often significant cost when run exclusively internally. Often basic training is available at low or zero cost from government training schemes through local colleges. Full utilisation of the opportunities available should be made

4.1 Facilities management

Facilities management has become something of a panacea in recent times, driven perhaps by the requirements of the now abandoned 'Building Schools for the Future' programme and PPP schemes elsewhere. Facilities management can provide an opportunity for a single management structure with area supervisors acting a single point of contact and responsible for cleaning, catering, grounds maintenance, building maintenance and potentially other services including waste.

APSE research on soft FM is inconclusive on the benefits to the service provider and the loss of focus from being part of a diverse operation can reduce customer satisfaction levels in catering and cleaning. If however better utilisation of management staff is possible then the arrangement should be considered

5.0 Food management

5.1 Food supplies

As the second most significant item of expenditure, getting the price right can have a significant effect on cost. APSE performance networks shows an average cost of food per plate of £0.78 although some providers have managed to drive this down to as low as £0.55 , whilst others are closer to £1.04

Nutritional standards (Not England from January 2015) have had the effect of improving the quality of food although this often comes at additional cost. Most caterers purchase food via purchasing organisations like YPO and ESPO or direct via the large food distributors like Brake Brothers. Purchasing in bulk can dramatically reduce prices and therefore savings, however for seasonal foods, local farmers cooperatives can supply equal or better quality at often lower prices and should be explored. Benchmarking and sharing of food costs provides a tool to negotiate prices and also highlight cost savings in alternative/substitute foods

Whilst legislation still requires nutritionally based meals outside of England, this does allow some flexibility in the makeup of the overall meal offering. Where once milk and juice were offered as part of the meal, their benefit is now questioned (sugar content and stomach size). Tap water is increasingly the sole offering.

5.2 Food waste

Food waste can be substantial where the food offered fails to entice customers. Most services operate a rotating 3 or 4 week menu system and the take-up of specific offerings should be closely monitored to ensure future production matches likely demand as closely as possible. The majority of primary schools now operate a pre-order system allowing exact numbers to be produced and to ensure that each child gets their preferred choice. This can be as simple as a selecting coloured bands.

There are many foods, often including those that are pasta based which can be rapidly completed from stock ingredients in minutes. This provides the flexibility to offer finished meals closer to a pull system matching customer demand. Pre-ordering and payment should be attempted where possible.

6.0 Central establishment charges (CECs)

CECs are probably the most contentious area of cost. They are frequently apportioned in an arbitrary fashion or on the basis of head-count. Clearly for a service utilising significant numbers of relatively low paid and part-time staff this can have perverse consequences. If IT for example is recharged on the basis of headcount this will massively inflate the cost to catering service. Charges based on actual usage should be argued.

7.0 Technology

There have been significant advances in cooking technology, although mainly based on microwave heating and induction hobs which have been utilised in many schools. Most recent advances focus on the use of IT, either to remove paper based food ordering systems or to provide parents with the opportunity to register for free school meals or pay for school meals on-line in advance. Not all these opportunities boost the finances of the caterer directly but they tend to increase take-up which benefits turnover.

8.0 System thinking

Previously called business re-engineering and now lean/systems thinking is a useful technique to identify waste and remove costs from the workplace. All start by process mapping the system of working. APSE has discussed systems exercises within their performance networks benchmarking groups and found small batch catering to be an area that holds many potential savings. Time savings through purchasing pre-sliced vegetables and management of the batch of food to create the best flow through the kitchen area can remove many minutes of time per day leading to a large potential cumulative time saving. Cleaning afterwards may be disproportionate to the equipment used and if so disposable options should be considered. Time savings increase capacity allowing the potential to remove staff costs in the future.

APSE Comment

APSE exists to support in-house local services and recognises there will be pressure to seek cost reduction as a consequence of the current and anticipated squeeze of local authority funding. Reductions in staff numbers may be necessary as Councils attempt to maintain services whilst managing the cost base. Any staff reductions should be managed sensitively and the Trade Unions fully involved, using the full range of options including redeployment, early retirement and reduced hours ahead of compulsory redundancy.

Food has been a sensitive area over the past few years with National school meal campaigns in each country increasingly seen as a mechanism for tackling nutrition and obesity. APSE has been instrumental in assisting the governments in England, Scotland and Wales, with APSE performance data often quoted.

Should a member authority have a pressing difficulty, APSE has a range of assistance available to inform the search for efficiencies. This ranges from average productivity figures, benchmarking information from APSE performance networks through to full consultancy support through APSE Solutions.

Rob Bailey

APSE principal advisor