

MIDDLESBROUGH COUNCIL

OVERVIEW AND SCRUTINY BOARD

28 FEBRUARY 2017

**FINAL REPORT OF THE ENVIRONMENT
SCRUTINY PANEL – COMMERCIALISATION
(EPCS)**

PURPOSE OF THE REPORT

1. To present the final report of the Environment Scrutiny Panel following its investigation into Commercialisation.

AIMS OF THE INVESTIGATION

2. Over recent years, local government has been under unprecedented pressure to achieve more with fewer resources. The overall picture is one of continued reduction in Government funding for local authorities, increasing demand for services and greater reliance on locally raised funding.
3. The Mayor's Vision for Middlesbrough states that Middlesbrough will become 'The place to live, work and visit' and this was underpinned by the statement that the Council will create 'A town that is clean, safe and healthy'. The achievement of the Environment, Property and Commercial Services (EPCS) outcome cuts across many strategic outcomes which support the achievement of the overall vision and the Council has made significant improvement in this area over recent years.
4. The EPCS Outcome Delivery Plan 2015-18 highlights that fundamental reviews of service delivery in all EPCS service areas would be undertaken to ensure those public services delivered align with the desired outcomes and that all commercial services accord with the Council's Commercial Strategy in order to support the principles of the Change Programme whilst delivering the required budget reductions, contributing to the Council's strategic outcomes and delivering the maximum benefits for Middlesbrough.
5. In view of these pressures, the issue of Commercialisation is high on the local authority agenda. The Environment Scrutiny Panel determined to examine several services within the Council's Environment, Property and Commercial Services (EPCS), namely Catering, Building Cleaning and Pest Control and Fleet Services, to ascertain the current position regarding provision of those services, commercial opportunities and any measures that would need to be taken in order to expand the business.

6. On 24 March 2016, an informal briefing paper was considered by the Leadership Management Team (LMT), 'Commercial Strategy – The Next Steps'. The report states that "The existing strategy took a deliberate approach to focus primarily on income generating services, however, as a result of this approach it does fall short in terms of its entrepreneurial and innovative approach towards new markets, services and products. In recognition that Phase 1 of the strategy is being progressed, we can now move forward and address the wider opportunities when the strategy is reviewed later in the year."

TERMS OF REFERENCE

7. The terms of reference for the scrutiny panel's investigation were as follows:-
- a) What is the Council's current position regarding the provision of Catering/Cleaning/Pest Control/Fleet Services?
 - b) What commercial opportunities are available locally or regionally for expansion of Catering/Cleaning/Pest Control/Fleet Services?
 - c) What measures need to be taken for the Council to expand its share of the market locally/regionally.
 - d) How does EPCS view its ability to successfully grow the business over the next three to five years?

BACKGROUND INFORMATION

8. The Panel held meetings on 1 September, 6 October, 3 November 2016 and 1 December 2016 and was provided with information from the following Council Officers:-
- G Field – Assistant Director: Environment, Commercial and Property Services (EPCS)
 - K Garland – Head of Environment, EPCS
 - A Blower – Catering Manager, EPCS
 - P Thwaites – Property Services Manager, EPCS
 - G McGreevy – Property Services Operations Manager, EPCS
 - C Hudson – Pest Control Manager, EPCS
 - C Bates – Highways and Fleet Manager, EPCS

9. Setting the Scene

9.1 The Panel was informed that there is in excess of £20 million trading activity within EPCS, with its largest areas of trading being Catering, Cleaning, Property Services and Bereavement Services. Smaller services included Pest Control and Design Services. The Panel decided to focus on the following commercial trading areas:-

- School Catering
- Cleaning
- Pest Control
- Fleet Services

9.2 It was acknowledged that the Council needs to consider expanding the areas where it is most competitive and to be more efficient in the way it delivers those services. This includes examining incremental growth, outsourced contracts, large public sector contracts and exploring the possibility of charging for services that it did not currently charge for.

10 Catering Service

10.1 At its meeting on 6 October 2016, the Panel received information in relation to Catering Services – an ‘in-house’ service that provides a full, managed service to 41 primary schools, one dining centre, three secondary schools (out of a possible seven), one sixth form and four special schools.

10.2 Schools have three options available to them in relation to school meal provision. They are as follows: a) to buy into the Council’s ‘in-house’ Catering Service; b) to employ an external catering company to run the service for them; c) to employ staff directly to operate the service themselves.

10.3 The Council’s in-house service enables schools to ‘buy back’ the delivery of school meals covering a range of measures, including: catering for free and paying pupils; provision of Universal Infant Free School Meals (UIFSM) through an additional grant; full day-to-day management of the service including the recruitment and selection, supervision and training of catering staff; establishing and monitoring contracts with suppliers; menu planning; food production; portion control; and provision of special dietary requirements where requested.

10.4 The Panel heard that the Council directly employs 40 unit supervisors (primary), 3 unit supervisors (secondary), 1 sixth form unit supervisor, 2 special unit supervisors, 60 assistant cooks and 360 general assistants (working at lunchtimes). All kitchen staff are trained to a high standard and are required to hold a Basic Food Hygiene Certificate. Unit Supervisors are required to hold NVQ levels 1 and 2 in Catering.

10.5 All school meals meet the Food Based Standards which is a statutory requirement for schools and caterers ensuring the provision of foods low in fat, sugar and salt, and containing healthy carbohydrates, proteins, fruit and vegetables. The Council’s Catering Service has received a Gold Award, two years running, under the Food4Health Awards scheme created by the Council’s improving Public Health service to raise awareness of the need for a healthy diet.

10.6 The Panel was informed that the Catering Service provides excellent value for money with a varied choice of hot and cold food options based on a set price, multi-choice, two-course meal. This avoids providing children with the opportunity to purchase individual cheaper and/or unhealthy items such as chip butties and cakes.

10.7 Information was also provided in relation to Universal Infant Free School Meals (UIFSM) which were introduced in September 2014 for all primary school pupils from Reception to Year 2. The UIFSM grant is provided by the Government to the local authority on an annual basis and is, in turn, passed directly to the schools. The current grant is £2.30 per meal. Middlesbrough’s Catering Service charges the school £2.05

per meal, leaving 25p per meal with the school to assist with additional administration and lunchtime supervision.

10.8 Middlesbrough has an excellent uptake of school meals – more than 80% - which is well above the national average. The cost of a school meal, for paying pupils, in Middlesbrough is currently £1.90 in primary and £2.00 in secondary, with no increase being made since 2009. Prices are monitored with neighbouring authorities to ensure the price gap does not become too wide.

10.9 The Panel heard that the Service is currently operating at capacity and that possible pressures could arise if additional schools wished to join the in-house service.

11 Building Cleaning and Pest Control

11.1 At its meeting on 3 November 2016, the Panel was provided with information in relation to the Council's Cleaning and Pest Control services. Building Cleaning provides a range of services in relation to routine, 'one off' and emergency building cleaning, specialist cleaning, caretaking services, training/client and technical advice, void property and social care cleaning, emergency response, security and opening/closing of buildings. The Council budget for building cleaning, caretaking, building attendants and security is approximately £1.516 million across 58 buildings/locations with an income of approximately £2.674 million from the provision of building cleaning with traded services and schools.

11.2 In relation to staffing, the Building Cleaning service employs approximately 560 cleaners, 45 caretakers and 12 building attendants/premises assistants. These staff are managed by an Operations Manager, two Facility Group Leaders and five part-time Area Supervisors.

11.3 The Pest Control service provides pest and rodent control services, pigeon-proofing, UV lights/screens and door curtains and maintenance contracts. Pest Control also provides services on behalf of the Council to 69 locations across the borough, including back alleys, allotments and parks. The budget in respect of Pest Control is approximately £23,000, with an income of approximately £243,000 generated from contracts and traded services. Pest Control's largest contract was won in 2012 and is expected to be worth approximately £115,000 this financial year. The service also has around 130 contracts with an annual income of £75,000 and it is expected that approximately 750 pest control requests will be received with a potential income of £45,000.

11.4 In relation to staffing, the Pest Control service employs five Pest Control Technicians and a Pest Control Manager.

11.5 The Panel was informed that service retention rates and repeat business is excellent in respect of both services and the Middlesbrough Council brand is well-received and trusted, enabling a successful model of sustainability and small, structured growth.

11.6 During the course of discussion, the Panel was advised that Commercial Services does not currently have a business plan, however, work is currently being undertaken by

'Methods UK' to assist in identifying current deficiencies and potential opportunities. The findings could be shared with the Panel in the future and would inform the formulation of the draft business plan.

12 Fleet Services

- 12.1 At its meeting on 1 December 2016, the Panel received information in relation to Fleet Services. Fleet Services supplies and maintains the Council's fleet of vehicles which includes: supply of fuel, servicing, repairs and maintenance. These services are also available to other relevant stakeholders. The Service ensures that all statutory and legal requirements are met. Vehicle hire and MOT testing facilities are also available to external customers.
- 12.2 The Panel was informed that the Council's current fleet comprises 263 vehicles and mobile light plant including refuse collection vehicles, hi-ab crane vehicles, winter maintenance 'gritters' (to which a snow plough can be fitted when required), ride-on mowers, gully emptiers and mechanical street sweepers. The whole fleet requires approximately 1,100 scheduled services per year. In addition, there are around 204 items of other plant equipment such as mowers, chainsaws, etc. Of the 263 vehicles, 65 are required to comply with Operator Licence restrictions and need to be serviced every eight weeks. 25 of those are refuse collection vehicles.
- 12.3 The Service operates from Resolution House, Cargo Fleet Lane, including mechanical and horticultural workshops, and currently employs 1 Workshop Manager, 11 Vehicle Technicians (employed across the service), 1 Apprentice Technician and 5 Management/Office staff.
- 12.4 During discussion, the Panel was advised that Fleet Services has several technicians that are approaching the end of their working lives and that there may be potential difficulties in recruiting to those posts. The Service hopes to be able to recruit apprentices which would assist in plugging the skills gap. The Panel heard that an Ad Hoc Scrutiny Panel is to be established to explore a range of issues associated with apprenticeships on a Council-wide basis, taking into account the changes being introduced as a result of Government reforms.
- 12.5 Fleet Services has been required to make significant budget cuts to meet savings targets and this has been partly mitigated by robust monitoring of vehicle use and revenue expenditure. Details of the current Service budget are as follows:-
- £1.332 million (gross expenditure) - including payroll, vehicle repairs/maintenance, road fund licences, fuel, tyres, transport hire and insurances.
 - £411,000 – expected generated income.
 - £924,400 – net expenditure.
 - £1.449 million per annum – current capital expenditure for replacement vehicles (an additional £500,000 provided to assist with the requirement to replace additional refuse collection vehicles following the decision for kerbside recycling to be returned 'in-house' to the Council).
- 12.6 The Panel heard that refuse collection vehicles have an average life-span of five years. Vehicles are subsequently purchased by other countries or auctioned for scrap –

fetching between £2,000 to £5,000 and this forms part of Fleet Service's expected generated income figure of £411,000.

- 12.7 In terms of commercial opportunities, Fleet Services is currently in discussion with Thirteen Housing in relation to potentially taking over servicing and maintenance of their horticultural equipment. There is also the potential for Fleet Services to provide servicing and repairs to the fleet vehicles of neighbouring authorities.
 - 12.8 To assist in meeting increased demand, a second MOT lane has been installed within the workshop to carry out MOT testing on private vehicles in addition to Middlesbrough's licensed taxis, which generates additional income for the Service.
 - 12.9 In order to take on additional work in the future, the Panel heard that significant expansion of the workshop and facilities is required, together with additional staff. Additional refuse vehicles that require servicing/maintenance as a result of kerbside recycling being returned in-house is putting pressure on the Service as there are a limited number of heavy goods vehicles ramps within the workshop. Consideration is being given to installing an additional ramp to assist.
 - 12.10 Several measures to increase capacity/output are being considered including recruitment of apprentices, introduction of a shift system for technicians and expanding the workshop by the potential takeover of the adjacent workshop.
 - 12.11 In terms of promoting the MOT testing facility at Fleet Services, it is noted that due to current capacity issues, advertising is limited to the Council's website and intranet.
13. For further information in respect of the Scrutiny Panel's investigations and findings, please see the attached **Appendices 1 - 4** – extract of minutes of Panel meetings.
 14. **Appendix 5** refers to some of the findings following desktop research, guided by the Chair.

CONCLUSIONS

15. The Scrutiny Panel reached the following conclusions in respect of its investigation:-

Catering

1. The Council's Catering Service currently has a very good infrastructure, providing an excellent, quality, well-received service thanks to its highly skilled, dedicated and motivated workforce. However, it is acknowledged that the current infrastructure is limiting in terms of expanding the service to a wider customer base, such as other local authority schools or external customers.
2. The Service currently provides additional function catering on an ad-hoc basis within schools, upon request, for example, buffets for staff training/teacher training days. There are currently no other kitchens available to the Catering Service than those used in the individual schools.

3. In relation to Catering, it is recognised that staff work very hard to keep school meal prices down, particularly during austerity measures. The Catering Manager's report addresses the needs of children who are from low income families and there is a 'no child ever refused a school meal' approach in all Middlesbrough's schools which is welcomed by the Panel.
4. The Catering Service provides high quality, nutritious meals that meet the Government's Food Based Standards. The Service has twice been awarded a Gold Award under the Food4Health award scheme created by the Council's Improving Public Health department.
5. The Panel notes that many school kitchen staff live within walking distance of their workplace and many are also employed as cleaners. These staff are employed on two separate contracts as their salaries are currently paid from two separate budgets.

Building Cleaning and Pest Control

6. The Panel feels that feedback and monitoring of services (including customer satisfaction surveys) need to be more clearly defined and consistent across the services.
7. There is no identified person responsible for securing contracts. This aspect is currently included within the role of the respective managers for each of the services. The Panel heard directly from the Managers that they, and their staff, are currently operating at full capacity making it difficult to develop new business opportunities. This is compounded by the fact that Commercial Services did not currently have a structured business plan in place. However, the Panel was also informed that work is currently being undertaken by 'Methods UK' which will assist in the formulation of a business plan going forward.
8. In terms of the Cleaning Service, committed staff contribute to the service's ability to maintain contracts. The Panel acknowledges that the Service provides building cleaning services to all schools in Middlesbrough which is a huge achievement following the loss of all school cleaning contracts in Middlesbrough in 1996 as a result of CCT. Regaining and maintaining all of the contracts is due to the dedication of all staff involved.

Fleet Services

9. The Panel acknowledges that there may be potential difficulties in recruiting to skilled technical posts within Fleet Services and that several employees are approaching retirement age which may lead to a potential skills gap in the future. The Panel supports the recruitment of apprentices within Fleet Services and recognises that an Ad Hoc Scrutiny Panel is being established to look at apprenticeships on a Council-wide basis.
10. The Panel understands that refuse collection vehicles have an average life-span of five years and that their subsequent sale/auction forms part of Fleet Service's expected generated income figure of £411,000.
11. The Panel considers that there is a potential for Fleet Services to provide its services to other organisations but recognises that growth of the Service requires the expansion of the workshop and workforce and that this is likely to require significant investment.

12. Fleet Services currently provides servicing and maintenance to the Council's vehicle fleet and that of stakeholders funded by the Council.
13. Fleet Services also provides MOT testing for Middlesbrough's licensed taxis and to the public which assists in generating income.

General

14. On hearing the evidence, the Panel feels that there is no evidence that a commercial approach to services is consistent with other departmental plans.
15. Whilst the Panel acknowledges that Middlesbrough Council is a trusted, recognised brand, providing an excellent service, there is no distinct branding across each of the service areas.
16. The infrastructure of all four services is at capacity, restricting opportunities to develop or grow services.
17. The Panel recognises the excellent work undertaken by all staff involved across the services it examined. Staff are committed and highly trained resulting in a skilled, efficient workforce, particularly at Team Leader level.

RECOMMENDATIONS

18. As a result of the information received, and based on the above conclusions, the Environment Scrutiny Panel makes the following recommendations for consideration by the Overview and Scrutiny Board:-
 1. That consideration be given by EPCS to developing the Catering Service by way of utilising the new function kitchen being installed as part of the Town Hall refurbishment scheme, with a view to providing function catering for Council events and external functions, such as weddings. This provision should be promoted at the point enquiries/bookings are made, for example, function catering to be offered by the registry office as part of a package when wedding bookings are made.
 2. That EPCS puts into place a business plan, as soon as possible, addressing commerciality and branding, and that this be submitted to the Environment Scrutiny Panel for consideration within the next six months.
 3. That consideration be given by EPCS to establishing an identified person responsible for managing contracts across the services.
 4. The Panel recognises that obtaining new and larger contracts is limited by the absence of a Contracts Manager. The Panel recommends that EPCS explores the capacity to create a contracts management team to enable it to bid for new work and to grow the business. It is expected the new function would work closely and in co-operation with the enthusiastic Operations Managers within the Service.

5. That EPCS examines areas where individual members of staff are employed on more than one contract with the authority to look at how costs can be reduced in the administration of salaries.
6. With regard to Fleet Services, in the absence of a fully costed business plan, the Panel feels unable to make solid recommendations, however, in the short term, recommends the following:-
 - a) That consideration be given to introducing a shift system, outside of current operating hours, which would optimise the use of fleet vehicles and minimise vehicle down-time.
 - b) The recruitment of apprentices to assist in filling an identified skills gap and that this is progressed as soon as possible.
7. That EPCS, in conjunction with Marketing and Communications, explores the benefits of branding and marketing in order to build on Middlesbrough's strong reputation and to promote the services via a range of media, such as the Council's website, intranet, Love Middlesbrough magazine, appropriate trade magazines, and advertising in public buildings such as libraries, community hubs and on Council vehicles, where appropriate.
8. That customer feedback and monitoring of services (including customer satisfaction surveys) be clearly defined and consistent across the services to help shape service development/improvement, branding and marketing.
9. That work on the Council-wide 'Commercialisation Strategy' is progressed as quickly as possible and that the Environment Scrutiny Panel receive an update with regard to the progress made within the next six months.

ACKNOWLEDGEMENTS

19. The Environment Scrutiny Panel would like to thank the following Council officers for their assistance with its work:-
- G Field – Assistant Director: Environment, Commercial and Property Services (EPCS)
 - K Garland – Head of Environment, EPCS
 - A Blower – Catering Manager, EPCS
 - P Thwaites – Property Services Manager, EPCS
 - G McGreevy – Property Services Operations Manager, EPCS
 - C Hudson – Pest Control Manager, EPCS
 - C Bates – Highways and Fleet Manager, EPCS

BACKGROUND PAPERS

20. The following sources were consulted or referred to in preparing this report:-

- Reports to, and minutes of, the Environment Scrutiny Panel meetings held on 1 September, 6 October, 3 November and 1 December 2016.
- Informal Briefing Note to LMT 24 March 2016.

- Environment, Property and Commercial Services Outcome Delivery Plan 2015-18.
- The Essential Guide to Financial Sustainability – LGiU Local Democracy Think Tank.
- LGA Enterprising councils – Getting the most from trading and charging 2012 edition.

COUNCILLOR DENISE ROONEY - CHAIR OF ENVIRONMENT SCRUTINY PANEL - 2016/17

The Membership of the Scrutiny Panel for 2016/17 is as follows: Councillors: D Rooney (Chair), T Higgins (Vice-Chair), Biswas, Cole, Coupe, Dean, Goodchild, Saunders and Uddin.

Contact Officer: Joanne Dixon
Democratic Services Officer
Democratic Services
Tel: 01642 729713
Email: joanne_dixon@middlesbrough.gov.uk

ENVIRONMENT SCRUTINY PANEL

A meeting of the Environment Scrutiny Panel was held on 1 September 2016.

PRESENT: Councillor D Rooney (Chair), Councillor Higgins (Vice Chair); Councillors Biswas, Cole and Saunders.

OFFICERS: S Blenkinsop, C Breheny, R Brown, J Dixon and G Field.

ALSO IN ATTENDANCE: A Bailey – Chair of North Ormesby Development Trust (NONDET).
A Mackay – Business Development Manager (NONDET).
V Gibson – North Ormesby Community Hub.

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Coupe, Dean and Uddin.

COMMERCIALISATION – SETTING THE SCENE AND ESTABLISHING TERMS OF REFERENCE

A report had been circulated to the Panel regarding the format of the meeting. The Panel had selected Commercialisation as one of the topics it wished to scrutinise from its 2016/17 Work Programme.

G Field, Assistant Director of Environment, Property and Commercial Services, was in attendance at the meeting to provide background information on the topic. The Panel had undertaken work in 2015/16 and it was evident that the Council's ability to generate external income to reinvest in service delivery was more important than ever.

In selecting the topic of Commercialisation, Members requested that consideration be given to the following areas:-

- Catering and cleaning contracts
- Parks management
- Pest control
- Fleet management
- Junk jobs
- Ayresome Industries

It was suggested that the Panel focussed on two or three of the above service areas to ensure the scope of the review was not too wide-ranging.

The Assistant Director stated that the issue was high on the Local Authority agenda and had become very important due to a reduction in Government funding. Proposals were currently being consulted on for local authorities to become self-sufficient by 2020. Commerciality was also important as it supported employment (with more than 1,000 employees within EPCS alone) and improved service provision – competing with external providers ensured that Council services remained sharp.

Within EPCS there was in excess of £20 million trading activity, with its largest areas of trading being: Catering, Cleaning, Property Services and Bereavement Services. Smaller services included Pest Control and Design Services.

The majority of the trading activity was based on services that the Council already provided, particularly within the larger trading areas. For example, building cleaning and catering services were previously provided to all schools when they were under local authority ownership. Many schools had now become independent academies, however, 41 out of 42 Primary Schools, three out of seven Comprehensive Schools and four out of four Special Schools continue to use the Councils Catering service. The Council also traded with other public bodies and had increased trading levels within the private sector and community arenas.

A high level of work had been undertaken on Council Capital Programmes, including the redevelopment of the Registry Office. Such projects were seen as an excellent way of turning capital into revenue.

It was stated that commerciality was not about turnover but about generating surplus and revenue gaps would only be closed if there was an increase in the level of surplus. The Council needed to look at growing the areas where it was most competitive and being more efficient in the way it delivered those services.

Areas of growth included examining incremental growth, outsourced contracts, large public sector contracts and exploring the possibility of charging for services that the Council did not presently charge for.

It was highlighted that much of the detailed information in relation to the above-mentioned areas was commercially sensitive. The Panel accepted that such information would need to be protected and stated that it would like to examine whether the Council held any standards of excellence or charter marks in relation to the commercial services it provided.

Following discussion, the Panel determined it wished to examine the following commercial trading areas in more detail:-

- School Catering
- Cleaning
- Pest Control
- Fleet Management (a brief overview only)

AGREED as follows:-

1. That the information provided by the Assistant Director of Environment, Commercial and Property Services, be noted.
2. That the Panel examines the following areas in relation to commercial trading:-
 - School catering
 - Cleaning
 - Pest control
 - Fleet Management (brief overview only)

ENVIRONMENT SCRUTINY PANEL

A meeting of the Environment Scrutiny Panel was held on 6 October 2016.

PRESENT: Councillor D Rooney (Chair), Councillor T Higgins (Vice Chair); Councillors Cole, Coupe, Dean, Goodchild, Saunders and Uddin.

OFFICERS: A Blower, J Dixon and K Garland.

PRESENT BY INVITATION: Councillor Sharrocks – Chair of Overview & Scrutiny Board.

An APOLOGY FOR ABSENCE was submitted on behalf of Councillor Biswas.

COMMERCIALISATION

At its previous meeting, on 1 September 2016, the Environment Scrutiny Panel received an introductory overview in relation to 'Commercialisation' – the Panel's first topic for review during the 2016/17 Municipal Year.

At that meeting, the Panel decided that it wished to receive further information on specific Council Services, including Catering. Subsequently, Anglea Blower, Middlesbrough Council's Catering Manager, had been invited to the meeting to provide information in relation to the Catering Service. Keith Garland, Head of Environment and Catering, was also in attendance at the meeting.

The Catering Manager had submitted a report which provided details of the Service which aimed to provide healthy, nutritious meals to schools at an affordable cost.

It was reported that the 'in-house' Catering Service provided a full, managed service to the following schools:-

- 41 primaries (out of 42)
- 1 dining centre
- 3 secondary schools (out of 7)
- 1 sixth form
- 4 special schools

The Catering Service worked closely with Head Teachers to promote the health and well-being of pupils and social skills (including using cutlery, sitting at a table for meals, etc).

All meals were provided to meet the Food Based Standards, a statutory requirement for schools and caterers. The Standards ensured the provision of foods low in fat, sugar and salt, healthy carbohydrates, proteins, fruit and vegetables. Middlesbrough Council's Catering Service had recently been awarded with a Gold Award under the Food4Health Awards scheme created by the Council's Improving Public Health Service to raise awareness of the need for a healthy diet. This was the second time that the Service had achieved the accolade.

In terms of school meal provision, three options were available to Head Teachers:-

1. Employ an external catering company to run the service for them.
2. Buy back into the Council's in-house provision.
3. Employ staff directly to operate the service themselves.

The Council's in-house service enabled schools to buy back the delivery of school meals covering a range of measures, which were detailed in the report, including:-

- Catering services for free and paying pupils
- Provision of Universal Infant Free School Meals (UIFSM) through an additional grant buy back.
- Full daily management of the service.
- Recruitment and selection of catering staff.
- Supervision and training of catering staff.
- Ensuring all Health and Safety requirements were met and maintained.
- Establishing and monitoring contracts with suppliers and supplier audits.
- Purchase and distribution of uniform and protective clothing.

- Menu planning, food production and portion control, including provision of special dietary requirements for pupils where requested.
- Service support, staff performance, repairs/maintenance of equipment and appliances.

The Catering Manager advised that she was supported by four members of staff covering all aspects of service delivery. Staffing in the kitchens was structured as follows:-

- 40 Unit supervisors (primary)
- 3 Unit supervisors (secondary)
- 1 sixth form Unit supervisor
- 2 special unit supervisors
- 60 assistant cooks
- 360 general assistants (working at lunch times)

All of the staff were employed directly by Middlesbrough Council and were not contracted out in any way. It was the responsibility of the Catering Manager to ensure that any sickness absences and holidays were covered. The Panel was advised that catering staff were reliable and flexible and were willing to move to various kitchens at short notice to cover holidays/sickness. Staff resilience was key to ensure prompt service to all pupils.

The report highlighted that catering for functions, such as special events and staff training days with schools, could be provided at an additional cost.

Kitchen staff were trained to a very high standard, with all being required to hold a Basic Food Hygiene Certificate and Unit Supervisors requiring NVQ Levels 1 and 2 in Catering. All kitchen staff were fully trained in the use of specific equipment where their role required it.

In relation to school meal choices, it was highlighted that the Service provided excellent value for money with a varied choice of hot and cold food options. Secondary school students had the option to purchase additional drinks with their meals to try and keep more children on site. Private companies tended to opt for a cash cafeteria rather than a set price two-course multi-choice meal but Middlesbrough had avoided this option in secondary schools as the cash cafeteria system gave children the opportunity to purchase individual cheaper items such as chip butties and cakes.

Universal Infant Free School Meals (UIFSM) were introduced in September 2014 for all primary school pupils in Reception, and Years 1 and 2. The grant was paid on a financial year basis to the local authority and was passed directly to schools. The UIFSM grant provided by the Government was £2.30 per meal, however, in Middlesbrough the Catering Service charged the school £2.05 per meal, leaving 25p per meal with the school to assist with additional administration and lunchtime supervision.

As Middlesbrough already had an existing good uptake of school meals prior to the introduction of UIFSM, the Service was able to cope with the additional meals required with the addition of light equipment purchase, refrigeration and additional staffing.

Members were informed that the school meal charges to paying parents in Middlesbrough schools were currently £1.90 in primary and £2.00 in secondary. The school meal price had not been increased for some time and there was a potential to consider increasing the charges for September 2017 to remain in line with the charges of neighbouring authorities. Consultation would be undertaken with Head Teachers and parents would be notified well in advance of any increase.

In terms of potential future commercial opportunities for the Service, possible pressures would arise if additional schools wished to join the in-house service as they could not be subsidised from the overall core budget and appropriate charging would be applied based on individual requirements, pricing models and varying service level agreements. The Service was currently running at capacity.

During the course of discussion, the following issues were raised:-

- In response to a query regarding catering in secondary schools, the Catering Manager advised that Middlesbrough did not provide a catering service to MacMillan, Kings Academy or UCA, mainly due to these schools having been part of the 'Building Schools for the Future' project where new schools tended to manage their own catering directly. It was highlighted that there were currently no private sector catering providers operating in schools in Middlesbrough and that the catering was provided either by Middlesbrough Council or by the school in-house.

- It was queried who was responsible for inspecting food quality. The Panel was advised that each of the Catering Teams ensured that all orders, deliveries, and ingredients met the Food Based Standards. Ingredients were checked and monitored to ensure that they were from the required source, with no un-approved substitutes; free from artificial additives and 'E numbers' and were low in fat, sugar and salt. Middlesbrough was able to bulk purchase, with Stockton, through the NEPO food contract to ensure prices were kept to a minimum. The operation and service delivery was also regularly monitored to ensure the conditions of the current SLAs were met and all Food Hygiene Standards and Health and Safety requirements were adhered to. The Catering Manager advised that she would be pleased to share the monitoring report with Panel Members should they so wish.
- In relation to a question regarding packed lunches, the Catering Manager informed that there would always be children that preferred to have a packed lunch, perhaps if the child had food allergies or was a picky eater, however, the uptake of school meals in Middlesbrough was more than 80% - well above the national average.
- In response to a query as to whether Halal products were available as part of the school meal offer in Middlesbrough, the Panel was advised that products were available if required and that Middlesbrough held the required certificate. Whilst some schools did require Halal products, others liked to provide a choice of Halal and non-Halal and others had no requirement at all. Specific dietary requirements were tailored to meet the needs of each individual school.
- Clarification was sought in relation to the statement within the report that Middlesbrough may consider increasing the school meal price for September 2017. The Catering Manager explained that Middlesbrough provided an excellent school meal service and had not increased its prices since 2009. It was important to monitor the prices in neighbouring authorities to ensure that that price gap did not become too wide making it more difficult in the future for Middlesbrough to catch up. Middlesbrough had a high up take of school meals, enabling better value in terms of overall costs. The price per paying school meal was based on a range of factors including uptake, SLAs agreed with the Head Teachers, buyback and how much paid income the Catering Service had.
- In response to a query regarding levels of food waste, Members were advised that this was monitored by each Unit Supervisor. Levels of each product were monitored and additional portions of each meal were produced to ensure that the choice remained available to the end of queue. There was never more than 10-15 portions leftover at the end of lunch service and cold dishes could often be chilled for use the next day. Hot dishes had to be disposed of as they could not be re-used, however, kitchen staff were offered the option of consuming any leftover portions once all of the children had been served. The Catering Manager stated that the situation was well controlled and that she was able to look at each cook's invoices and orders to ensure there was no excessive over-production of meals to keep waste to a minimum.
- In response to a query regarding the length of contracts with the schools, it was confirmed that SLAs were agreed with the schools on an annual basis.
- In response to a query, it was clarified that schools received a Pupil Premium directly from Government for those pupils in receipt of a free school meal, and the Catering Service charged the school accordingly as part of the SLA.
- It was clarified that only secondary schools offered a cashless payment system and Members were assured that should a situation arise whereby a pupil presented the payment card to purchase a lunch in a Middlesbrough secondary school but had no credit on the card, the pupil would still be served with a lunch. The school would then deal with notifying parents/carers that credit needed to be added to the account. Similarly, in primary schools, where a paying child did not bring their school dinner money into school on a Monday, they would still be served with a meal and, again, the school would chase up payment from parents/carers.
- Reference was made to the 'commercial opportunities' section of the report where it stated that careful consideration would need to be given to the risks and associated costs with branching out into other areas if consideration was given to growing the business. It was queried whether any consideration had been given to growing the business and, if so, what had been considered. It was highlighted that a number of factors needed to be considered including return on investment, how to expand the service whilst maintaining the

gold star service standard, service infrastructure, transfer of staff, tendering processes, accountability, etc. The Catering Manager stated that Middlesbrough operated a very compact service with the majority of staff lived within walking distance of their workplace and it would be difficult to provide temporary staff for cover to neighbouring authorities without changing the infrastructure.

- It was queried whether the potential of linking up with other areas of service within the Council in terms of joined up working was being explored. The Head of Environment and Catering advised that Commerciality was high on the Council agenda and this was something currently under examination, with a Commercialisation Strategy currently under development. The Chair requested that the Panel be kept informed in relation to this as it progressed through its review of the topic.
- In terms of developing the catering service, it was noted that there was a potential to develop the function work to some extent, as previously mentioned, there was scope to provide food for special events/training days within the school for staff. It would be difficult to expand the service further within the current buildings and infrastructure and there would be a need to work with each individual school, obtaining the agreement of the Head Teacher and caretaker, etc. The Catering Manager expressed concern that focus would be lost if the service expanded.
- In response to a query as to whether any consideration had been given to the possibility of utilising community hubs to provide a meal service within local communities (eg pensioner groups, etc), it was confirmed that there was no budget available to provide such a service and that it would be dependent upon each Hub buying into the service.
- Members highlighted that it was important to ensure the current high standard of school meal provision in Middlesbrough was maintained as many of the children who lived in deprived wards within the town relied on a nutritious meal at lunchtime. The Panel expressed the view that it was very much in favour of keeping the service in-house and would not want to see the service eroded or outsourced to the detriment of the children.
- Reference was made to the Town Hall refurbishment and the recent relocation of the Registry Office to the Town Hall, and it was queried whether there might be any opportunity to provide a catering service for functions. The Panel was advised that, again, various factors would need to be taken into account such as infrastructure, pricing structure and whether the Town Hall would have its own kitchen facilities.

The Chair thanked the Officers for attending and for the information provided.

AGREED as follows:-

1. That the submitted report and information provided verbally at the meeting be noted.
2. That the following Terms of Reference be agreed for the Panel's investigation into Commercialisation:-
 1. What is the Council's current position regarding the provision of catering/cleaning/pest control?
 2. What commercial opportunities are available locally/regionally for expansion of catering/cleaning/pest control services?
 3. What measures need to be taken for the Council to expand its share of the market locally/ regionally?
 4. How does EPCS view its ability to successfully grow the business over the next three to five years?
3. That the Panel be kept informed of progress in relation to the emerging Commercialisation Strategy as its scrutiny investigation of 'Commercialisation' progressed.

ENVIRONMENT SCRUTINY PANEL

A meeting of the Environment Scrutiny Panel was held on 3 November 2016.

PRESENT: Councillor D Rooney (Chair), Councillor T Higgins (Vice Chair); Councillors Biswas, Cole, Coupe, Dean and Saunders.

OFFICERS: J Dixon, G Field, C Hudson, G McGreevy, M Shepherd and P Thwaites.

PRESENT BY INVITATION: Councillor Harvey – Executive Member for Environment.

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Goodchild and Uddin.

EPCS COMMERCIALISATION – BUILDING CLEANING AND PEST CONTROL – INTRODUCTION AND OVERVIEW

At its meeting on 1 September 2016, the Environment Scrutiny Panel received an introductory overview in relation to 'Commercialisation' – the Panel's first topic for review during the 2016/17 Municipal Year.

The Panel decided that it wished to receive further information on specific Council Services, including Catering, Cleaning and Pest Control. The Panel also agreed the following terms of reference for the review:-

1. What is the Council's current position regarding the provision of catering/cleaning/pest control?
2. What commercial opportunities are available locally/regionally for expansion of catering/cleaning/pest control services?
3. What measures need to be taken for the Council to expand its share of the market locally/ regionally?
4. How does EPCS view its ability to successfully grow the business over the next three to five years?

At its meeting on 6 October 2016, the Panel was presented with information in relation to the Council's Catering Service. Subsequently, relevant officers had been invited to today's meeting to provide information in relation to the Council's Building Cleaning and Pest Control Services.

P Thwaites, Property Services Manager, was in attendance at the meeting, accompanied by G Field, Assistant Director of EPCS, G McGreevy, Operations Manager and C Hudson, Pest Control Manager, to present information in relation to both services.

The Panel was advised that Building Cleaning and Pest Control provided a range of services to the Council and external customers. The submitted report provided details of the range of services provided by each area, including:-

Building Cleaning

- Building Cleaning – routine, 'one off' cleaning, periodic, emergency.
- Specialist cleaning including: fire, flood, kitchen and hygiene.
- Caretaking Services; building attendants; premises assistants.
- Training/client and technical advice.
- Opening/closing of buildings.
- Void property cleaning.
- Social Care cleaning.
- Emergency response (24/7).
- Security – key holding, mobile patrols, guarding (sub contracted).
- Bus Station management.

Pest Control

- Pest Control Services/Rodent control – dealing with a range of vermin and pests.
- Pigeon-proofing.
- Provision of UV lights/screens and door curtains.
- Maintenance contracts.

The Panel was advised that the Council provided its building cleaning service to a range of Council services and schools and other partner organisations. In terms of staffing, the Service employed approximately 560 cleaners, 45 caretakers and 12 building attendants/premises assistants. The staff were managed by an Operations Manager, two Facility Group Leaders and five part-time Area Supervisors.

The Council budget for building cleaning, caretaking, building attendants and security was around £1.516 million across 58 buildings/locations. The income for building cleaning with traded services and schools was around £2.674 million. This included 26 various buildings/locations, 44 primary schools (20 of which were academies), 5 secondary schools (of which 4 were academies), 2 sixth forms and 6 special schools/referral units.

It was reported that Pest Control joined with Property Services in 2014 and provided services on behalf of the Council to 69 locations including:-

- Allotments
- Back alleys
- Public land (commercial and retail areas)
- Public land, highways and paths
- Parks and open spaces
- Lakes and becks
- Community and public realm

A responsive service was also offered to:-

- Any location that Middlesbrough Council had responsibility for
- Service requests from officers, Members and members of the public
- Public Protection/Environmental Health requests
- Street Scene/Area Care requests

The Council budget for Pest Control was around £23,000 and generated income from contracts and traded services of around £243,000. The largest Pest Control contract was won in 2012 with Erimus. This was expected to be worth approximately £115,000 this financial year. Pest Control also had around 130 contracts with an annual income of approximately £75,000 and it was expected that the service would receive around 750 pest control requests with an income of £45,000.

It was acknowledged that the successful model of sustainability and small, structured growth was achieved by solid working relationships, trust, word-of-mouth and confidence in the services on offer. Every customer had choice in service provision and the Council's service retention rates / repeat business was excellent and the Middlesbrough Council brand was very well received and trusted.

In terms of sustainability and potential growth, it was reported that Facilities Management was split into two categories – soft and hard. It was explained that 'soft' Facilities Management referred to those services that relied upon people, time, energy and effort such as cleaning, caretaking, security, CCTV, pest control and grounds maintenance. 'Hard' Facility Management was described as relating to the physical environment and infrastructure such as property repairs/maintenance, accommodation, utilities, built or managed environment, public realm, highways, transport and waste services.

The Council had engaged 'Methods UK' to undertake a review of Commercial Services which presented an opportunity for the Council to consider its approach to commercial activities.

In response to a query regarding the work being undertaken by Methods UK, it was explained that they would identify potential opportunities and also current deficiencies and would provide support in the future if required.

In terms of the draft business plan being available, it was anticipated that the work being undertaken by Methods UK should be complete in the near future. It was possible that the conclusions could be shared with the Panel in the future.

The work being undertaken would establish how competitive the Council's services were in relation to other businesses in the same field.

The report outlined potential opportunities for the services as follows:-

- To further widen the customer base geographically, outside the authority's boundary.

- To work in partnership and collaboratively with other public bodies/stakeholders such as neighbouring local authorities, colleges, universities, health, police, fire, housing and industrial estates.
- To offer, in partnership, social/domestic home care, cleaning and support services to the community.
- To continue to facilitate the offer to the existing customer base.

A discussion ensued and the following issues were raised:-

- A Member of the Panel queried whether any consideration had been given to approaching property owners with a view to providing a full maintenance package, in terms of dilapidated/derelict properties to make buildings safe, cleaning and eradicating pests. The Pest Control Manager responded that he took every business opportunity possible to work closely with Regeneration and external partners to generate income and that it was something Pest Control did well.
- The Operations Manager added that his area worked alongside the Area Care teams in relation to waste disposal and clearing of back alleys, etc and he also took the opportunity to generate business wherever possible.
- The Property Services Manager stated that they were proud of the services they offered and worked proactively with schools and local partners/businesses offering a whole family suite of services in relation to cleaning, maintenance and pest control. Building Cleaning had forged excellent, sustainable relationships with schools and had worked hard over the past 20 years to successfully win back and re-establish service provision following the loss of almost all school cleaning contracts to a private contractor under CCT arrangements in 1996.
- In response to a query regarding cleaning contracts with academies, it was highlighted that for the past 25 years, all schools were responsible for their own budgets and academies had the same choices. To date, the Council had not lost any academy cleaning contracts as they had confidence and trust in the service provided by the Council's Building Cleaning service.
- The submitted report referred to Pest Control being challenged over recent years and it was queried what those challenges were. The Pest Control Manager explained that the Pest Control service had a small budget and was challenged with looking at every possible business opportunity, whilst making savings. Pest Control worked closely with Public Health and Environmental Health and was an essential responsive public service that was competitive with private providers.
- In relation to school building cleaning, there had been a recent development whereby multi-academy trusts (clusters) were forming to procure single service contracts. Such trusts were required to go through a different procurement route of a tendered process as it was a larger value contract. In response to a query, the Panel was advised that one such trust was currently tendering for school catering and that it was likely the trust would tender for a schools cleaning contract in the future.
- Reference was made to the Service Level Agreements (SLAs) made in relation to building cleaning and it was stated that customer satisfaction was regularly monitored and was currently achieving 98% satisfaction. It was queried what the difference was between regular monitoring and the satisfaction survey. The Operations Manager stated that an annual survey was sent out to all customers (mainly schools) and last year 98% customer satisfaction was achieved. This information was shared internally with the staff involved. In terms of regular monitoring, regular meetings were held with Head Teachers to discuss potential incentives that could be introduced within school to encourage involvement of the children and staff to make it a better place. It was planned to introduce customer satisfaction surveys in respect of Pest Control for 2017/18.
- The Panel considered both teams to be providing an excellent service and that the feedback from the customer satisfaction surveys should be published to inform members of the public of the positive service provided.

- Reference was made to the information within the report that there were 130 Pest Control contracts with an annual income of around £75,000 and that this equated to an average of less than £600 per contract and it was queried what type of contracts these were. The Pest Control Manager advised that the Service needed to remain competitive with private sector providers and provided a pricing structure to balance service and cost accordingly. Contracts/Service Level Agreements were generally for a period of one year and were based on providing approximately eight visits per annum including call outs and the customer would be invoiced accordingly based on the pre-agreed price.
- In response to a query regarding the level of unpaid invoices in relation to Pest Control, the Assistant Director advised that he would obtain this information and circulate to Panel Members.
- It was highlighted that both Services typically had low profit margins and required high work outputs for small amounts of money. Nationally, cleaning margins were around 2% so it was important to ensure that the service remained profitable. The introduction of the Living Wage Foundation showed the Council's commitment to supporting the lowest earning staff but was likely to impact on raising baseline costs significantly by increasing prices and price differentials.
- The Chair stated that it appeared there were a number of different people responsible for securing contracts in each of the service areas and it was queried how all of this linked together. The Operations Manager stated that his role was to secure and maintain business. When the secondary schools had converted to academies they had continued to hold their cleaning contracts with the Council based on the relationship, trust and service that had been provided. One Academy had contracted to a private company initially, however, the Operations Manager had been able to discuss with the school what service and support the Council was able to provide and they returned to the Council and had been with them for almost 10 years.
- The Chair acknowledged that the excellent service provision shone through but felt that there was a lack of marketing strategy. The Assistant Director advised that the Council currently did not have a marketing strategy for these services, however, the work being undertaken by Methods UK would assist in determining how the Council could address this should it wish to develop the services in the same way that as a commercial business. A proper approach to commerciality was required before the services could be developed and expanded. The Council had recently employed a Marketing Officer and the service could link up with the Marketing Officer once a more definite approach was determined.
- It was queried whether these services worked with other areas within the Council to support and promote each other's services. The Pest Control Manager informed that his team worked closely with the Food Safety Team and that where they were aware of problems in the town they would work together to resolve them and to offer their services afterwards. Pest Control often carried out works in default and this often led to the business owner/landlord agreeing a contract with Pest Control to continue to work with them. This was a potential area for growth once the marketing strategy was developed.
- A Member of the Panel queried how Pest Control would deal with issues in back alleys. The Pest Control Manager stated that where an issue was identified in a back alley, his Team worked closely with several areas of the Council and external partners to rectify the problem. Including; Environmental Health, Enforcement Team, Area Care, Legal Services and Northumbrian Water (in relation to sewers), etc. Where a seven day notice was served on the property/business, Pest Control would be required to act immediately to treat the pest problem and to monitor. In the case of a food premises, the Food Safety Team would monitor the premises once the problem had been treated and would inform Pest Control accordingly of the outcome. Private contractors did not offer this type of monitoring/follow up service.
- It was queried how long premises were monitored for. The Pest Control Manager responded that where his Team had acted on a seven day notice, depending upon the problem, they would visit the premises daily until the problem was under control. They would then offer their services by way of an annual contract. Pest Control also offered education and information sessions, upon request, by way of talks/presentations for Housing Associations, School, Community Councils and other groups.

- In response to a query, the Pest Control Manager confirmed that there was an increasing problem with bedbugs and that this could be linked to poverty as it was often spread by second hand furniture/mattresses. It was highlighted that many Councils sought advice from Middlesbrough's Pest Control service as it was an example of good practice. The Service also worked closely with Cleveland Police, other local authorities Social Services to assist those with mental health issues.
- It was queried whether all of the above issues were being incorporated into the developing business plan. The Assistant Director stated that joint working would eventually be a part of it but the main question was whether the services were sustainable, ie what costs were involved and the return on investment.
- The Panel felt that these were vital services and there appeared to be an obvious link with public health and suggested that there might be some merit in exploring whether there was any potential for an element of the public health budget to be re-directed to these services.
- The Property Services Manager added that social cleaning often involved the teams working in terrible conditions on a weekly basis. Joint working with occupational therapists, social workers and health authority was undertaken and the teams provided great support to those areas.
- In response to a question, it was confirmed that Pest Control had authority to make unannounced inspections in business premises.
- The Chair requested a 'family tree' structure for Cleaning, Catering and Pest Control in order for the Panel could see how those services sat together. The Assistant Director agreed to provide this.
- It was queried whether information was available in relation to the numbers of staff that were employed in more than one service, for example many of the school kitchen staff were also employed as cleaners. The Operations Manager advised that such staff were employed on two separate contracts as they were paid from two different budgets.
- The Operations Manager stated that he would very much like to be able to offer apprenticeships in both cleaning and pest control areas and to be able to expand the business but acknowledged that the present infrastructure would need to be looked at. The Pest Control Manager could attract additional work but there was not currently sufficient staff to undertake this. The Assistant Director agreed with the comments and stated that there needed to be a strong business case in order to expand and that the services needed to deliver returns and this was where improvement was required. It was important to ensure that any additional work was secured before the workforce could be expanded as the Council did not have the financial capacity to employ staff in the hope that additional work might follow.
- The Panel asked the Operations Manager and Pest Control Manager whether they had capacity to secure contracts or whether they were under pressure to deliver. The Operations Manager stated that, at the present moment, his area was stretched. He was responsible for cleaning, pest control and the bus station and teams were working at full capacity. He agreed that a business plan was required as additional staff would be needed to deliver any additional business and that he would not have capacity to manage any additional areas of work.
- The Assistant Director stated that in terms of progressing the business plan, one element was to identify what was required including marketing support, financial support, etc in order to compete for tenders as he acknowledged that the current managers did not have capacity to put together tender bids. Business development support was required in order to understand what the business was going to be and how it could be grown. It was hoped that the Council's new digital team would assist with the promotion of the services via the new website and twitter feeds, etc.

- The Panel shared the need for caution in expanding the business but felt that there were opportunities and that the business plan should be progressed as quickly as possible.

The Chair thanked the Officers for attending and for the information provided.

AGREED as follows:-

1. That the submitted report and information provided verbally at the meeting be noted and considered in the context of the Panel's investigation.
2. That the Panel be provided with a 'family tree' structure of the cleaning, catering and pest control services.

ENVIRONMENT SCRUTINY PANEL

A meeting of the Environment Scrutiny Panel was held on 1 December 2016.

PRESENT: Councillor D Rooney (Chair); Councillors Biswas, Cole, Coupe, Dean, Saunders and Uddin.

OFFICERS: C Bates, J Dixon, G Field and K Garland.

PRESENT BY INVITATION: Councillor Sharrocks – Chair of Overview and Scrutiny Board.

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Goodchild and Higgins.

EPCS COMMERCIALISATION – FLEET SERVICES – INTRODUCTION AND OVERVIEW

At its meeting on 1 September 2016, the Environment Scrutiny Panel received an introductory overview in relation to 'Commercialisation' – the Panel's first topic for review during the 2016/17 Municipal Year.

The Panel decided that it wished to receive further information on specific Council Services, including Catering, Cleaning and Pest Control. The Panel also agreed that it wished to receive information in relation to Fleet Services.

C Bates, the Council's Highways and Fleet Services Manager, was in attendance at the meeting and had submitted a report providing the Panel with information in relation to Fleet Services that corresponded with the terms of reference for the Panel's review.

The terms of reference for the review were as follows:-

1. What is the Council's current position regarding the provision of catering/cleaning/pest control/ fleet services?
2. What commercial opportunities are available locally/regionally for expansion of catering/cleaning/pest control/fleet services?
3. What measures need to be taken for the Council to expand its share of the market locally/ regionally?
4. How does EPCS view its ability to successfully grow the business over the next three to five years?

The Panel was advised that Fleet Services contributed to the achievement of the Mayor's Vision and the Council's Strategic Objective of Providing commercial Strength, Organisational Support and Development and also supported outcome 7 of the Council's Change Programme, details of which were outlined in the report but included:-

- Ensuring the Council's vehicle fleet complied with the statutory requirements and Regulations of the Road Traffic Act 1988.
- Supply and management of fuel to the council's fleet and other stakeholders.
- Ensuring the Council's fleet and operations complied with the Driver and Vehicle Standards Agency Operator Licence requirements and regulations. (VOSA).
- Provision and maintenance of Council's vehicle fleet and plant required to enable service delivery.
- Contributing to a reduction in CO2 emissions from Council operations through the purchase of Euro 6 specification vehicles through the fleet capital replacement programme.
- Procurement of new vehicles via the fleet capital replacement programme for vehicles at the end of service life.

For the majority of customers, Fleet Services provided repairs and service to statutory and manufacturer's standards, fuel supply and ensuring legal compliance of all operational vehicles and plant. Vehicle hire and MOT testing facilities were also available. Fleet Services main customers were:-

- Commercial and Corporate Services, including Area Care, Waste Management, Highways, Environmental Enforcement, Dog Wardens, Building Services, Ayresome Industries, TCES Adaptation Service, Sports and Leisure Services, Bereavement Services, Pest Control.

- Wellbeing Care and Learning including Youth Community Buses, connect, Vehicle Hire.
- Economic Development and Communities, including Ayresome Community Transport, Integrated Transport Unit, Strategic Highways, Car Park Solutions, Tees Valley Joint Services and Taxi Licensing.

The Panel was informed that the current fleet comprised 263 vehicles and mobile light plant including refuse collection vehicles, hi-ab crane vehicles, winter maintenance 'gritters' (to which a snow plough could be fitted when required), ride-on mowers, gully emptiers and mechanical street sweepers. The whole fleet required approximately 1,100 scheduled services per year. In addition, there were around 204 items of other plant equipment such as mowers, chainsaws, etc. Of the 263 vehicles, 65 were required to comply with Operator Licence restrictions and needed to be serviced every eight weeks. 25 of those were refuse collection vehicles.

In relation to the Fleet Services workshop, it was reported that this operated from Resolution House in Cargo Fleet Lane and comprised mechanical and horticultural workshops. Current staffing levels were as follows:-

- 1 Workshop Manager
- 11 Vehicle Technicians (employed across the service)
- 1 Apprentice Technician
- 5 Management/Office staff

Fleet Services had been identified as a 'support service' within the Change Programme and had been required to make significant budget cuts to meet savings targets. This had been mitigated to some extent by robust monitoring of vehicle use and revenue expenditure.

The budget for the service was outlined as follows:-

- £1.332 million - Gross expenditure – including payroll, vehicle repairs/maintenance, road fund licences, fuel, tyres, transport hire and transport insurances.
- £411,000 – expected generated income.
- £924,400 – net expenditure.
- £1.449 million per annum – current capital expenditure for replacement vehicles (an additional £500,000 had been added to assist with the requirement to replace additional refuse collection vehicles following the decision for kerbside recycling to be returned 'in-house' to the Council).

A discussion ensued and the following issues were raised:-

- In response to a query regarding maintenance of Council vehicles, it was confirmed that the cost of maintaining all Council vehicles was covered by Fleet Services.
- It was queried whether there were any plans to increase the number of apprentice technicians. The Head of Environment confirmed that advertisements for apprentices across all of the Council's services had been placed and it was hoped that up to 20 apprentices would be taken on across all the services.
- Clarification was sought in relation to the additional £500,000 that had been added to replace additional refuse collections vehicles following the decision to bring kerbside recycling in-house. The Panel was advised that the kerbside collection service had previously been provided by an external provider but the service would now be delivered by the Council. Information was provided in relation to the life expectancy of the operational vehicles, purchase costs and depreciation costs. A further £500,000 was provided to the service area to replace the collection vehicles over a five year period – with a total budget of £1.5 million. It was highlighted that even if the kerbside collection service had remained with an external contractor, the Council would still have been required to replace the collection vehicles.
- It was acknowledged that the collection vehicles had an average five-year lifespan and it was queried what happened to those vehicles. The Panel was advised that sometimes the vehicles were purchased by Eastern European countries or were auctioned for scrap, fetching an average of £2,000 - £5,000. This 'income' was part of Fleet Service's expected generated income figure of £411,000.

- In response to a query, it was confirmed that Fleet Services had two gully suckers which were used on a rota basis.

In relation to regional and local commercial opportunities, the Panel was informed that initial discussions had been held with Thirteen Housing with a view to taking over the service and maintenance of their horticultural equipment. Further discussions with neighbouring authorities were also taking place with the potential for Middlesbrough's Fleet Services to carry out servicing and repairs to their fleet. On a local level, a second MOT lane had now been installed within the workshop in order to carry out MOT testing on private vehicles. The Council was impartial as it was not able to undertake any repair work found on private vehicles during MOT tests and Middlesbrough's licensed taxis also used the service which generated additional income for Fleet Services.

It was acknowledged that in order to take on additional work, significant expansion of the workshop and its facilities would be required, together with additional staff. This would allow consideration to be given to introducing a shift system (outside of current operating hours) to minimise vehicle down time and optimum use of the workshop facilities. It was highlighted that the return of kerbside recycling in-house meant that the additional refuse vehicles were now serviced by Fleet Services and this had put pressure on the limited number of heavy goods vehicle ramps. Consideration was currently being given to installing an additional ramp to increase capacity. It would prove much more costly to expand into the servicing of specialist vehicles (such as fire/police vehicles) as specialist kit would be required, so initial expansion would need to consider similar types of vehicles to those currently catered for and this would require minimum investment. In order to expand commercially, additional space would be critical and a business case was currently being prepared with a view to potentially purchasing the depot adjacent to Resolution House.

A discussion ensued and the following issues were raised:-

- In response to a query as to whether additional technicians or apprentices were being recruited, the Panel was advised that it was hoped two or three apprentices could be recruited to Fleet Services. A discussion around retention of apprentices and associated issues took place and it was highlighted that an Ad Hoc Scrutiny Panel was to be established by the Overview and Scrutiny Board in January to look into the issue of apprenticeships across the Council including retention and wages.
- A Panel Member queried whether any consideration would be given in the future to the possibility of leasing vehicles/plant in the future. The Assistant Director advised that an analysis had been undertaken in the past which found that the lifetime costs of a leased vehicle and a purchased vehicle were very similar. By owning its own vehicles, the Council had much more control over serving, repairs and breakdowns and it was also highlighted that leased vehicles must be handed back in the same condition as when they were first leased and this had obvious cost implications to restore vehicles that had been heavily used for five years (average lease period).
- It was confirmed that MOT testing of private vehicles was going well and a second lane had been added within the workshop. Private MOT testing was currently publicised on the Council's website and on the Council's intranet, however, external advertising had not been explored to date due to reservations that meeting increased demand might not be possible.
- In response to a question, it was confirmed that the cost of a taxi MOT was slightly higher than a private car as the test was more in depth and was required to be undertaken every six months.
- The Panel was informed that Fleet Services biggest barrier to expansion was the size of the current site and number of staff. The Head of Environment Services invited Panel Members to visit the Fleet Services depot should they wish to do so.

The Chair thanked the Officers for attending and for the information provided.

AGREED as follows:-

1. That the submitted report and information provided verbally at the meeting be noted and considered in the context of the Panel's investigation.
2. That the information provided be included within the Panel's draft Final Report, together with any conclusions and recommendations arising from the Panel's discussion on its draft final report.

1. The following information is presented in the context of the Panel's scrutiny investigation into Commercialisation and relates to desktop research undertaken with guidance from the Chair of the Environment Scrutiny Panel.
2. The LGiU Local Democracy Think Tank produced a document in April 2016 entitled 'The Essential Guide to Financial Sustainability' which refers to the pressures on local authorities to achieve more with less funding, coupled with increasing demand for services. The document sets out the approaches Councils are taking to stimulate local economic growth; overhauling charging policies; generating income through trading; working in partnership with other councils, organisations and sectors (including sharing staff, assets and financing); 'invest to save' approaches, including capital investment to reduce running costs and investing in early intervention and prevention services; joining up services and reconfiguring them around the needs of service users.
3. The following examples of good practice were noted:-
 - Nottingham City Council
 - Shire Services (Shropshire County Council)
 - London Borough of Hammersmith and Fulham
4. Nottingham City Council
 - 4.1 Nottingham City Council has actively pursued ways of commercialising its assets and expertise and sees commercialism as part of a survival strategy to cross-subsidise essential services.
 - 4.2 In 2014, Nottingham won a Municipal Journal Local Government Workforce Achievement Award for its 'Commercialism Programme – Transforming Nottingham's Workforce'. Nottingham has a 'Commercialism Toolkit' and resources, providing a step by step guide to enable officers to better understand their service areas and take forward their commercial ideas. Nottingham recommends going through the same planning stages as any new business, starting with an honest competitor analysis, making sure that products or services provide a genuine unique selling proposition and proper marketing.
 - 4.3 Nottingham's ambitious commercialism programme is a key response to reductions in funding and the challenging social and economic landscape. Nottingham has applied the commercialism ethos across a variety of services and one of its early successes was to spot the potential in its fleet services workshop. It won a commercial contract to maintain Nottinghamshire's fire and rescue service fleet and increased its capacity, including night shifts, enabling it to win many more contracts.

4.4 The commercialism programme has generated in excess of £4 million in increased revenue and achieved significant cost reductions in the 2013/14 financial year. An integrated approach is being taken by the programme focussing on:-

- Embedding a commercial culture
- Systems and support services that support commercialism
- Implementing pilot projects and learning lessons

5. Shire Services (Shropshire County Council)

5.1 In terms of policies to maximise revenues from trading, the LGiU document highlights a good example case study of income generation as Shire Services.

5.2 Shire Services is the Catering and Cleaning arm of Shropshire Council. It is a commercially-focused, income-generating, trading service providing school meals to around 200 primary and secondary schools in Shropshire and catering services to further education colleges and schools in the neighbouring counties of Worcestershire, Herefordshire, Cheshire, North Wales and the West Midlands (around five million meals each year). Shire Services also offers function catering for meetings and social events and provides food safety training for all catering staff. This was also offered to external catering establishments and organisations. The catering arm of the service employs around 1,400 staff and a support team of area managers, supervisors, catering managers, financial and admin staff and health, safety and training staff.

5.3 Shire Services provides cleaning services to approximately 200 premises across Shropshire and beyond, including around 150 education sites and council buildings, sports centres, libraries, cultural centres, youth service and social care locations. It also delivers specialist cleaning and health and safety consultancy services.

5.4 Shire Services has a not-for-profit ethos and the income generated from the more profitable parts of the business supports the more expensive elements of the service, such as providing primary school meals. Surpluses are shared with schools. On an annual basis, Shire Services generates £10.2 million of turnover whilst the total turnover of Shropshire Council's external services is £3 million.

6. London Borough of Hammersmith and Fulham

6.1 The Local Government Association (LGA) provides an example of one case study in relation to 'Enterprising councils – getting the most from trading and charging' as Hammersmith and Fulham – 'Commercialisation: a great alternative to cutting costs'.

6.2 This authority has taken a strategic approach to commercialisation and now has in post a Director of Customer and Business Development to lead this work across

the authority. The post-holder, who joined the authority in 2010, states that the external income base increased by 18% (or an additional £800,000) in her first year. As a result, the council now has a sales and marketing plan and a greater understanding of the profit and loss in respect of each service.

6.3 Hammersmith and Fulham's Environment, Leisure and Residents Services (ELRS) has the ethos 'Get, grow, keep'. Each area now has a sales and marketing plan and an external income target. Whilst it is important to proactively market the council's services it is also essential to generate customer loyalty and repeat business. Ensuring a great customer experience is fundamental to success and the service runs customer experience workshops "The Voice of the Customer" with all staff – looking at complaints and enquiries and other ways in which customers contact them. ELRS has also introduced the Net Promoter Score, a loyalty measurement used by successful retailers where customers are asked to score on a one to ten basis whether they would recommend the service to their family and friends.