

OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
9th JUNE 2006

SODEXHO SUPPORT SERVICES -
ANNUAL SERVICE REVIEW 2005-06

Purpose of Report

1. To:
 - (i) Present to Members the Annual Review of the performance of support services provided under contract by Sodexho.
 - (ii) Consider any key issues and recommend remedial or performance improvements that may be appropriate.
 - (iii) Report progress in meeting the specific actions required by Cabinet on consideration of the Annual Report for 2004-05.

Background

2. In 2001, following a competitive tender procedure, Sodexho was awarded a seven-year contract to provide a range of support services to the County Council and a number of schools. The services include:
 - School and Welfare (home delivered meals) Catering
 - Building Cleaning Services
 - Grounds Maintenance Services
 - County Hall Facilities Management (including security and the Byways Restaurant)
3. This report covers a review of the Sodexho performance during the fifth year of the contract and raises some key issues for the delivery of services during the remaining two years. The contract is due to end in March 2008.

Main Considerations for the Council

Scope

4. The four contracts were let to manage and run the services outlined in paragraph 2 above. Under the terms of the contracts Sodexho is required to produce an annual report for stakeholders. **The report has previously been circulated to all Members.**
5. This year's report highlights key achievements and improvements made during the past year. It also raises some of the key constraints and concerns associated with the four service areas. The main concerns relate to how changes to the minimum wage currently outstrip the rate of the Annual Indexation applied to all of the contracts and how the new Nutritional Standards for school meals will impact on that service.
6. At the time of drafting the Review the new Guidelines had not been released by the Government and their implications will need to be considered at the appropriate time, along with the final recommendations of the School Meals Scrutiny Task Group. The first requirements of the new standards are likely to become effective from September 2006.

7. The following numbers of staff continue to be employed within the contracts following transfer to Sodexho in 2001. Of the original 600 staff who transferred from Wiltshire Direct Services to Sodexho 204 continue to be employed on broadly the same terms and conditions as applied at the time of the original transfer. The current breakdown of staff is as follows. 2004-05 levels are shown in brackets:

Catering	65	(72)
Building Cleaning	112	(127)
Grounds Maintenance	18	(22)
Management/admin	9	(10)
	<u>204</u>	<u>(231)</u>

8. In total, within the Wiltshire contracts Sodexho has approximately 700 staff, the majority of which are female working approximately 15 hours per week.

Performance

9. The services provided by Sodexho are important to support the delivery of County Council services but are also directly important to vulnerable sections of the community. Throughout the past year the contracted services have continued to operate well and have generally met contract standards.
10. As with all contracts, problems have occurred and it has been necessary to issue a number of default notices. The financial implication of these is indicated within the Finance section of the report.
11. Generally, performance in all contract areas has continued to improve with increases in customer satisfaction. This improvement has been measured from Customer Satisfaction Surveys and analysis of Quality Care Review returns.
12. Performance is also monitored through regular monthly Review Groups. These meetings, chaired by the Principal Contract Monitoring Officer, evaluate and audit Sodexho self-monitoring systems and deal directly with customer concerns. The meetings are also supported by independent, unannounced spot checks and site visits.
13. During the past year Sodexho has continued to make an important contribution to the work of the School Meals Task Group. The Group's final report and recommendations are considered elsewhere on today's agenda.
14. A key achievement for Sodexho over the last year has been the continued certification to ISO 14001 standard for environmental management across all services. This has helped Sodexho to be placed number one in the Dow Jones Sustainability Index.

Individual Service Performance

▪ School and Community Meals Service

15. In general the services provided under this contract have met the required contract and national nutritional standards throughout the year. Where problems have occurred they have normally been dealt with speedily. This is despite a challenging year where intense media coverage has led to significant changes in expectation of both children and the schools. The developing "Healthy Eating" agenda has required Sodexho to alter the contents of its menus and show innovation in service delivery. Sodexho has also demonstrated a willingness to work with individual schools on this and a number of schools now have individually selected menus.

16. The County Council has recognised the changes in preparation methods and the use of higher quality ingredients and in March 2006 agreed a package of measures including raising the cost of the primary free meal charge to Sodexho from £1.44 to £1.68 (the sum delegated to schools). This was achieved at no extra cost to the County Council.
17. As stated above, Sodexho has continued to make a significant contribution to the work of the School Meals Task Group and play an important part in developing its final recommendations. The report details key areas where Sodexho has made progress on meeting the recommendations contained in the Interim Report produced by the Task Group.
18. A previous concern considered by the Cabinet (from last year's Annual Review) has been the lack of communication with schools. This has been improved over the past year through the establishment of regular meetings with a group of headteachers representing all schools in the contract.
19. During the past year Sodexho delivered the 500,000th meal under the Community Meals element of the contract.
20. This service has continued to provide examples of innovation which have been well received by clients. Service improvements during the last year have included the continuation of "Safe and Well" checks on clients, improvements in management controls and staff development initiatives.
 - ***Building Cleaning***
21. This service continues to be well received by clients and concerns raised previously by the Committee regarding Quality Management issues have been addressed. There are currently no areas of concern to bring to Members' attention.
 - ***Grounds Maintenance***
22. A series of improvements in both management organisation and investment in new technology has helped Sodexho maintain improved levels of customer satisfaction. Currently, customer expectations have been met and there are no serious service issues at the present time.
 - ***County Hall Facilities Management***
23. As with previous years Sodexho has again raised the viability of the Byways Catering Service as an issue but has recently introduced some new innovations to try to reverse the present loss-making situation. However, Sodexho continues to express concern. The remainder of the services provided under this contract continue to meet client expectations and there are no service issues at the present time.

Key Issues

24. The Annual Review identifies two main issues regarding the current contract. These are:
 - The concern of Sodexho at the low level of the Retail Price Index (RPI) applied to the contract
 - The effects of the new National Nutritional Standards for School Meals

25. The first of these issues was raised in last year's report and following discussions between Sodexho and officers it was agreed not to apply a rate higher than the indicated RPI rate. In view of the current financial situation faced by the County Council it is unlikely that any rise above the official rate could be applied for the year 2006-07.
26. At the time of drafting, the full implications of the new Nutritional Standards have not been fully evaluated. Some aspects have been considered by the School Meals Task Group and the final report and recommendations are considered elsewhere on the agenda. Some changes are likely from September 2006 but it is expected that the current menus and service level provided by Sodexho will meet these new requirements.
27. Owing to current financial and service pressures, a key issue for the County Council this year is to work with Sodexho to try to identify opportunities for savings within the current contract arrangements. No targets have yet been set but an initial meeting has been held. Any progress will be reported to the Cabinet in due course.

Service Developments

28. The Annual Review outlines a number of minor developments that will have benefits for the contract. However, in the light of the point raised in paragraph 27 above, the opportunities for further service improvements during the next year will be poor.

Environmental Impact of the Proposal

29. There are no direct implications, although continued accreditation to ISO 14001 helps Sodexho to work as an important provider of support services to help minimise the effect of County Council services on the environment.

Risk Assessment

30. Risks associated with the contract were considered during the evaluation of the original contract. The discussions outlined in paragraph 27 may lead to a re-allocation of some of these risks. These will be considered in full in any future progress report to Cabinet.

Financial Implications

31. All of the contracts continue to operate within the allocated budget. The annual contract value for each service area is as follows:

SERVICE AREA		£ (000)
Catering	Schools	440*
	Community Meals	640
Building Cleaning		1,590
Grounds Maintenance		232
County Hall Services		439
TOTAL		3,341

* The County Council direct payment for free school meals

32. As with all contract services, failures do occasionally occur. Where formal Default Notices are applicable money is recovered from Sodexho and returned to the appropriate client. The total recovered across all service areas during the past year is £1,760.

Options Considered

33. None, as the services are provided under contract until March 2008.

Conclusion

34. The services provided by Sodexho continue to meet client and budget requirements. Discussions regarding areas of possible saving have recently commenced and the outcome of the discussions may have implications for service levels and budgets during the current 2006-07 financial year. Members will be kept updated towards the outcome of the discussions.

Proposal

35. That Members:
- (i) Consider the Sodexho Annual Review.
 - (ii) Acknowledge the continued levels of performance by Sodexho under the Contracts.
 - (iii) Endorse the action outlined in paragraph 27 of the report.

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The following unpublished documents have been relied on in the preparation of this Report:

None