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Tim / Over to you

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Looks to me as if we need a report on merger of catering. Subsidies should go to in-house or other catering like the Ministry

M

Treasury Chambers, Parliament Street, SW1P 3AG

on merger of catering. Subsidies should go to in-house or other catering like the Ministry

Mrs M E Brown  
Private Secretary to the Lord Privy Seal,  
OAB  
Whitehall  
London SW1

Looks to me as if we need a report on merger of catering. Subsidies should go to in-house or other catering like the Ministry

22 December, 1982

VF

24/12

Dear May

REVIEW OF CIVIL SERVICE CATERING

The Minister of State (C) and Lady Young discussed recently the report of the scrutiny of civil service catering carried out earlier in the year and which concludes that the existing arrangements are inadequate - catering facilities available to civil servants are not so accessible, and are used less than those offered by many other major employers, and are less subsidised (copies of the report are with Principal Establishment Officers).

The team made a number of recommendations, intended to improve cost-effectiveness and quality, and the Minister of State (C) and the Lord Privy Seal believe that these should be examined further and in depth. One consideration is that at a time when staff morale in the civil service is low, an improvement in catering might be helpful in turning the tide.

The intention is to issue the report accompanied by a Government statement warmly welcoming it, accepting that more money needs to be spent on improvements, announcing that several pilot projects are to be carried out to test alternative strategies, and making it clear that most of the other recommendations are to be examined in consultation with management and the union. Three recommendations will not be pursued (including, for the time being, a proposal that policy responsibility on catering should be transferred to the Management and Personnel Office).

It is not possible to test and evaluate alternative strategies without spending more money, and the statement quantifies the amount to be spent (£1m) on a programme of pilot projects. The extent and nature of further additional expenditure will be determined when the pilot projects have been evaluated and when the other major issues in the scrutiny report have been reviewed. Any additional expenditure will be, in a real sense, the ploughing-back, for the benefit of our employees, of a tiny part of the public expenditure savings that have accrued with their help and co-operation, from scrutinies and other efficiency studies.

The Minister of State (C) would like to issue the scrutiny report early in January so that detailed work in following up the recommendations can get under way. If the Lord Privy Seal is content with this, and with the terms of the attached draft Government statement, arrangements will be made to publish it as soon as possible. Before the report is issued, the unions, non-industrial and industrial will be put in the picture.

I am copying this to Michael Scholar (No.10) and to Private Secretaries to Ministers in charge of departments, and to Sir Robert Armstrong.

*Yours ever,*

*H J Bush*  
H J BUSH  
PRIVATE SECRETARY

Sort Mark  
Sent to



Mr. Secretary (Mr. W)  
Asst Minister in charge of gifts.  
Sir R. Armstrong  
PS/ZPS  
Mr FRASER  
Mr. Priesley  
Mrs Stomax  
Mr Beasley  
W Laughlin  
Mrs Flanagan.

ce J.V.  
MB PM

Whitehall London SW1A 2AZ  
Telephone 01-273 } 4400  
GTN 273 }

2 pp/s.

17 January 1983

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H J Bush Esq  
Private Secretary to the  
Minister of State, Treasury (C)  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

Dear Harry,

REVIEW OF CIVIL SERVICE CATERING

Thank you for your letter of 11 January and the revised draft Government Statement.

The Lord Privy Seal is glad that her comments on the earlier draft have been taken. On the revised draft, she thinks it is a pity that reference to a general objectives for Civil Service catering - "To enable staff to obtain a good midday meal in pleasant surroundings at a reasonable price" - has been omitted. It removes a positive note from the Statement as a whole. But if other colleagues are content with the present version the Lord Privy Seal would not wish to press this further.

I have mentioned a couple of minor drafting amendments to you over the phone.

I am copying this as before.

Yours sincerely,  
Mary

MARY BROWN

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GOW. Mach: Reyno Sembrin P+13



18 JAN 1985

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11/1

Treasury Chambers, Parliament Street, SW1P 3AG

Timothy Flesher Esq  
10 Downing Street  
LONDON SW1

11 January 1983

Dear Sir

REVIEW OF CIVIL SERVICE CATERING

Thank you for telephoning with the Prime Minister's suggestions on the wording of the Government statement on Civil Service catering. We have included these in a revised version which has gone to the Lord Privy Seal for clearance (a copy of my letter to Mary Brown is attached).

...

The draft now excludes the reference to the Government's endorsement of the general objective on catering. On reflection, it did not add a great deal, and could have been a hostage to fortune. As a result of the Prime Minister's other comment, the paragraphs relating to the programme of pilot projects have been redrafted and restructured.

In your letter of 29 December, you drew attention to the Prime Minister's reaction to the proposed system of subsidies. The Prime Minister's points will be taken into account during the review of the major issues raised by the scrutiny, and will be commented on specifically when reporting the outcome of the review.

I am copying this to Mary Brown (Lord Privy Seal's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely  
H J Bush

H J BUSH  
Private Secretary



JAN 1983

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[Faint, mostly illegible text throughout the page, possibly bleed-through from the reverse side.]



Treasury Chambers, Parliament Street, SW1P 3AG

Mrs M E Brown  
Private Secretary to the  
Lord Privy Seal  
Management & Personnel Office  
Old Admiralty Building  
LONDON SW1

11 January 1983

*Dear May*

REVIEW OF CIVIL SERVICE CATERING

...  
Thank you for your letter of 4 January with comments on the draft statement on catering circulated with my letter of 22 December. The statement has been revised (copy attached) to take account of those comments, and some from the Prime Minister on the wording of the paragraphs dealing with the pilot projects.

The Lord Privy Seal suggested that the statement should draw particular attention to the needs of local offices where there are no catering facilities at present. This has been incorporated in paragraph 6 of the attached draft (it does not fit easily in paragraph 5 dealing with the programme of pilot projects).

If the Lord Privy Seal is content with the revised version, the next stage will be for the Minister of State (C) to meet the unions.

I am copying this as before.

*Yours ever,*  
*H J Bush*

H J BUSH  
Private Secretary



## DRAFT GOVERNMENT STATEMENT ON RAYNER SCRUTINY ON CIVIL SERVICE CATERING

The Government warmly welcomes this Report of the Scrutiny Team that has examined Civil Service Catering, and is grateful to Marks & Spencer for providing the services of Miss Sybil Barnes, Head of Staff Catering, as one of the two examining officers and for allowing her to continue as a consultant. The other examining officer was Mr Adrian Carter, Principal, HM Treasury.

2. The Report is being published today. Some discussion of it has already been held with the Civil Service unions. There will now be wider consultation.

3. The Team found that, on the whole, catering facilities available to civil servants are not so accessible; are used less; and receive a smaller subsidy than those offered by many other major employers. The Government accepts that more money needs to be spent on improving the provision of meals to its employees, and that efforts should be made to improve accessibility and usage.

4. The Report makes a number of suggestions designed to improve the cost-effectiveness and the quality of Civil Service catering. It also discusses alternative strategies for tackling what it describes as the fundamental problems of low access and low usage. The Report suggests that the most cost-effective way of dealing with these problems at manageable cost, might be found through the provision of much simpler, sandwich-based dining facilities with subsidy concentrated on food and capital expenditure concentrated on the dining room rather than the kitchen. The key to the success of such a strategy would lie in customer acceptability and in proven cost-effectiveness. The Report recommends that a pilot programme be established to test this strategy and a first pilot project to test the "sandwich" strategy has already been set up in an Inland Revenue office; others are about to start in two DHSS local offices.



5. At the same time the Government recognises that, in an organisation as large and varied as the Civil Service whose staff is scattered at many different locations throughout the country - and with a wide variety of existing catering facilities - there can be no question of imposing a standard pattern at all sites irrespective of local circumstances and the views of the staff. There are at present many successful Civil Service restaurants run on more conventional lines, especially in the larger Government offices. Different arrangements will be appropriate at different locations. The Government believes that other pilot projects should take place to test alternative strategies. Six will start shortly.

6. Up to £1m will be made available in this year and in 1983/84 to carry out and evaluate the overall programme of pilot projects. The evaluation will take into account the needs of offices, including local offices, where there are no catering facilities at present.

7. The Government also intends to review, by June 1983 and in consultation with the Civil Service unions, the other major issues considered by the Scrutiny, in particular the future role of CISCO, the scope for using more outside contractors, and the subsidy arrangements. The Government is prepared to make further money available in support of Civil Service catering. The scale and nature of these additional resources will be determined in the light of the outcome of this review and of the pilot projects.

8. Meanwhile there are three recommendations in the Scrutiny Report on which decisions have been taken:

a. Policy responsibility for Civil Service catering will be kept in the Treasury, rather than being moved to the Management and Personnel Office.

b. The recruitment of new managers and necessary major building work will continue pending the review of the major issues identified in the Scrutiny.

c. The consideration of catering staff wage rates will be deferred until discussions take place with the unions on industrial pay generally.



Management and Personnel Office  
Whitchell London SW1A 2AZ  
Telephone 01-273 { 4400  
GTN 273 }

4 January 1982

H J Bush Esq  
Private Secretary to the  
Minister of State (C)  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

Handwritten initials and a checkmark, possibly 'JB' and '6/1'.

*Dear Harry,*

REVIEW OF CIVIL SERVICE CATERING

Thank you for your letter of 22 December, with the draft statement on catering.

The Lord Privy Seal thinks it a pity that the statement cannot mention a sum of £5 million extra expenditure on Civil Service catering as this is, after all, a very small amount, and would be seen as an earnest of our seriousness in wanting to improve the catering facilities. But she would not object to the formula used in paragraph 3 of the draft statement if that commends itself to her colleagues.

The Lord Privy Seal has only two other comments on the draft statement. First, on reflection she thinks that it would be courteous to mention in paragraph 1 that Miss Barnes of Marks & Spencer was not only an Examining Officer for the period of the scrutiny, she is also now acting as a consultant to the Treasury during the experimental phase. Secondly, she would like to insert at the end of line 6, paragraph 6, of the draft Government statement:- "... and particularly in local offices where at present there are no facilities...".

Otherwise, the Lord Privy Seal is content with the statement and that the scrutiny report should be issued early this month, once the trades unions have been informed. I am copying this to your copy addressees.

*Yours sincerely,*

*Paul Cam*

PP MARY BROWN



GOV MACH.

10 DOWNING STREET

*From the Private Secretary*

29 December, 1982.

Thank you for sending me a copy of your letter to Mary Brown about the Review of Civil Service Catering. I have already passed on the Prime Minister's suggestions on the proposed Government statement to Ros Dunn. On the substance of the report the Prime Minister has commented that it looks as if we need more investment in equipment and managerial training. Her first reaction to the proposed system of subsidies is, however, that it looks rather complicated. If subsidies went equally to in-house and other caterers, the other merits of the proposed new system would surely follow. No doubt you will take the Prime Minister's points into consideration in your review of the major issues raised by the scrutiny, but I should be grateful if you could comment on them specifically when you are reporting the outcome of that review.

I am sending copies of this letter to Mary Brown (Lord Privy Seal's Office), and Richard Hatfield (Cabinet Office).

Timothy Flesher

H.J. Bush, Esq.,  
HM Treasury.

RW

The Government warmly welcomes this Report of the Scrutiny Team that has examined Civil Service catering and is grateful to Marks & Spencer for providing the services of Miss Sybil Barnes, Head of Staff Catering, as one of the two examining officers. The other was Mr Adrian Carter, Principal, HM Treasury.

2. The Report, is being published today. Some discussion of it has already been held with the Civil Service unions. There will now be wider consultation.

3. The Team found that, on the whole, catering facilities available to civil servants are not so accessible and are used less than those offered by many other major employers. They also receive a smaller subsidy. The Government reaffirms the aim that staff should be able to obtain a good midday meal in pleasant surroundings at a reasonable price. It accepts in the light of the Report that more money needs to be spent on improving the provision of meals to its employees.

4. The Report said that civil servants generally should enjoy a service offering better value for money and more widely available than at present. They recommended a pilot programme to test the acceptability of a menu offering "high-protein, good quality sandwiches supplemented by soup, fruit juice, cakes, yoghurt, fruit and beverages. One round of sandwiches would be sold at a subsidised price; further sandwiches and other items would be sold at cost".

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5. The Government believes that such pilot projects should take place. One has already started at an Inland Revenue office in Wimbledon, and two others are about to get under way in DHSS, following consultation with the unions.

6. There are at present many successful restaurants run on more conventional lines, especially in the larger Government offices. There is no intention of imposing a standard pattern of provision on all offices regardless of local circumstances and the views of the staff. Different arrangements will be appropriate at different locations. Six other pilot projects are, therefore, about to begin to test alternative ways of offering simple meals at attractive prices. Up to £1m will be made available in this year and in 1983/84 to carry out and evaluate this programme of pilot projects.

7. In its further consultations with the management and the unions the Government will between now and June 1983 review the other major issues considered by the Scrutiny, in particular the future role of CISCO, the scope for using more outside contractors, and the subsidy arrangements. The Government is prepared to make further money available in support of civil service catering. The scale and nature of these additional resources will be determined in the light of the outcome of this review and of the pilot projects.

8. Meanwhile there are three recommendations in the Scrutiny Report on which decisions have been taken:

(a) Policy responsibility for Civil Service catering will be kept in the Treasury, rather than being moved to the Management & Personnel Office.

(b) The recruitment of new managers and necessary major building work will continue pending the review of the major issues identified in the Scrutiny.

(c) The consideration of catering staff wage rates will be deferred until discussions take place with the unions on industrial pay generally.



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3 DEC 1982

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HM TREASURY

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SCRUTINY  
OF  
CIVIL SERVICE CATERING

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HM TREASURY  
PARLIAMENT STREET  
LONDON SW1P 3AG



HM TREASURY  
SCRUTINY OF CIVIL SERVICE CATERING

Terms of Reference

1. Our terms of reference were:
  - (a) to examine the current arrangements, including costs, for providing catering for civil servants;
  - (b) to consider whether these arrangements are economical and effective and provide value for money compared with private sector practices;
  - (c) and to recommend any changes which seem desirable.

Method of Examination

2. We:
  - (a) examined earlier reviews of Civil Service catering and current procedural documents;
  - (b) drew on external reports and advice on catering trends, notably work done by Ashridge Management College for the Sutcliffe Catering Group and by the Industrial Society, and consulted the Hotel and Catering Industry Training Board (HCITB) and the Hotel, Catering and Institutional Management Association (HCIMA);
  - (c) discussed their responsibilities for Civil Service catering with the Treasury, the Civil Service Catering Organisation (CISCO), the Property Services Agency (PSA), and the officials responsible for the catering subsidy within some of the major Departments (the Departmental Nominated Officers);
  - (d) visited 40 Civil Service restaurants across Great Britain in establishments ranging from smaller office blocks to dockyards;
  - (e) met those responsible for catering in 6 major companies and met 4 contract caterers, to observe and discuss their operations.

Coverage of the Scrutiny

3. Our terms of reference directed us to look at the provision of catering for civil servants. We did not, therefore, examine the catering arrangements at the Houses of Parliament, for the staff of fringe bodies, or for the general public at places such as Museums and Galleries. We visited Manpower Services Commission Skillcentres, to compare the approaches of CISCO and of contractors and to examine the relationship of the

caterer to the Commission, but while our report may have application to catering for trainees at Skillcentres, this is peripheral to our consideration of catering for civil servants.

### Reporting Arrangements

4. Our study plan and the synopsis of our major interim conclusions were submitted to the Minister of State (C), to Sir Anthony Rawlinson and to Sir Derek Rayner, from whose guidance we have benefited.

### Consultation with Trade Unions

5. At the outset we invited the Council of Civil Service Unions (CCSU) and the Trade Union Side of the Joint Consultative Committee (JCC) to let us have their views on the subject of the scrutiny and to talk to us about its conduct. We sent both copies of our study plan and work programme. We met members of the Council of Civil Service Unions Welfare Committee on 23 June and 5 July to discuss their ideas and the development of our own thinking. Their submission to us is at Annex A. At the request of the Institution of Professional Civil Servants we met representatives of their Catering Branch on 6 July. Their submission to us is at Annex B. On our visits to Civil Service establishments we made ourselves available to local trade union representatives.

### Cost of the Study

6. The study cost the Government £10,400 in salary and accommodation costs and £1,000 in travel and subsistence costs. Miss Barnes' services were provided free of charge by Marks & Spencer PLC.

### The Current Organisation of Civil Service Catering

7. Current management policy, reaffirmed in September 1978 in General Circular GC/168, is to provide organised catering facilities in new buildings, and where practicable in existing buildings, where warranted by numbers, demand, the inadequacy of alternative facilities locally and the interests of efficiency, with the aim that staff should be able to obtain a good mid-day meal in pleasant surroundings at a reasonable price. Where staff do not have access to such facilities within a radius of half a mile they are eligible to have a messroom and self-catering facilities. Most catering for civil servants is run by CISCO or by local Committees of civil servants.

8. Local Committees of civil servants operating restaurant services and employing staff in their personal capacities are a traditional feature of Civil Service catering. At 31 March 1982 Committees controlled 427 restaurants, of which 387 were operated by the Committees and their employees, 8 were managed for Committees by CISCO and 32 were run by contractors. The total turnover of the Committee-run restaurants (excluding the

contractor units) in 1981-82 was some £9.4 million and they employed about 1480 staff, who are not civil servants.

9. Secretaries and Treasurers of Committees are allowed a total of up to 20 hours a week of official time for their Committee work, with departments having discretion to award a higher allowance for large restaurants or in exceptional circumstances of limited duration. This time is paid for by departments, not from trading, though it is open to restaurants to pay an honorarium from trading receipts to Secretaries and Treasurers for work done outside official hours.

10. CISCO was formed in April 1972 following a series of reviews of Civil Service catering culminating in a joint study by PA Management Consultants Ltd and Management Services (O&M) Division of the Civil Service Department. The study recommended the setting up of a self-contained organisation (CISCO) to be responsible for the operation of directly-managed restaurants "and to provide a strong management service umbrella" for Committee-run restaurants. CISCO controlled and operated 253 restaurants with 1392 Civil Service staff at 31 March 1982 and a turnover of £9.8 million in 1981-82.

11. CISCO's main functions are:

- (a) running its own restaurants in a wide range of Government departments;
- (b) managing 42 restaurants in Skillcentres as agents of Committees in the Manpower Services Commission (MSC), 2 Industrial Rehabilitation Unit restaurants for the MSC, and 8 other restaurants on behalf of Committees;
- (c) advising and monitoring the performance of Committee-run restaurants;
- (d) advising the Lord Chancellor's Department and the Department of the Environment on the operation and control of contractor-operated restaurants in the Courts, Parks, Ancient Monuments and Museums; ad hoc advice on request to other public bodies;
- (e) advising the Property Services Agency on catering installations and equipment.

#### The Current Financing of Civil Service Catering

12. A common regime of subsidies covers both CISCO-run and Committee-run restaurants. Assistance to Civil Service staff catering is given by providing premises, equipment and certain services free of charge to the caterer, and by paying cash subsidies.

13. A subsidy of 20 per cent of food sales (excluding VAT) is earned if the gross profit (sales revenue less food cost) on food sales exceeds 45 per cent, the level of subsidy reducing with gross profit to a 5 per cent subsidy when the gross profit is 22 per cent or less. (A

modified system applies to smaller Committee-run restaurants combining a fixed grant of £960 per annum and a lower scale of percentage grants). In 1981-82 CISCO direct-run restaurants achieved a gross profit of 50 per cent on food sales and received percentage grants totalling £1.26 million; Committee-run restaurants overall achieved a gross profit of 40.8 per cent on food sales and received grants totalling about £1.34 million. These grants are paid by the departments for whom restaurants are operated.

14. In addition to these grants a system of Special Service Credits meets the extra labour cost of services which are not part of the normal pattern of service but are required by local management or arise from particular features of the environment in which the caterer has to operate. Examples of situations which attract such subsidies are those where meals have to be provided: over a short period to fit factory production processes; outside normal working hours; at a number of points on widely dispersed sites; or from over-large, uneconomic kitchens. In 1981-82, CISCO-run restaurants, received £4.49 million of Special Service Credits and Committee-run restaurants, which tend to operate in less varied environments, received £0.53 million.

15. Neither the percentage grant nor Special Service Credits are available to contractors operating in Civil Service establishments. In the case of small restaurants employing 12 or fewer catering staff an annual cash allowance towards labour costs is made by departments as follows:

Up to and including 9½ catering staff	£70
10 to 11½ staff	£50
12 staff	£15
Over 12 staff	Nil

These allowances have not been reviewed for many years.

16. CISCO operated restaurants are staffed by civil servants receiving nationally negotiated rates of pay. CISCO industrial staff at some establishments receive in addition productivity bonuses which are paid to all industrial employees on the site. CISCO is reimbursed by departments the cost of these bonuses paid to their staff, in 1981-82 £0.68 million. CISCO industrial staff who are not eligible for productivity bonuses, like other industrial staff in such circumstances, receive a centrally negotiated efficiency bonus, lower than the general level of productivity bonuses, the cost of which is met from trading. The staff of Committee run restaurants are paid at rates determined locally by the Committee.

17. The cost of CISCO Headquarters, which had 72 staff at 31 March 1982, is charged to the departments for whom services are provided. It is not financed from trading since its functions are wider than direct trading. In 1981-82 this cost was £1.34 million.

18. Within this financial regime, both CISCO units as a whole and Committee run restaurants individually are expected to break even. In fact, CISCO-run restaurants showed an operating surplus of £0.24 million in 1981-82. CISCO surpluses are returned to the Exchequer at the end of each financial year. In 1981-82 Committee run restaurants showed overall a net surplus of about £0.18 million. Committee surpluses are retained by them for reinvestment in the restaurants or for covering future losses.

### Trends in Civil Service Catering

19. The last 9 years have been a period of relative stability for CISCO-run restaurants and of steady decline for Committee-run, and typically smaller, restaurants. One recent development has been for CISCO to provide professional management for Committee run restaurants on a profit-sharing basis. At 31 March 1982 there were 8 of these CISCO-Managed Committee units and 2 more have been taken on since. This approach has been adopted to provide professional management and support in restaurants which CISCO judged viable while avoiding the difficulties associated with Civil Service status for the restaurant staff which would stem from a CISCO take-over of the restaurant.

20. The number of CISCO-run restaurants at the end of 1981-82 was 253, almost the same number as at the end of 1974-75 although there have been several closures and openings over the years; in the intervening years the high of 262 units in 1980-81 was reached at the end of a period of taking over several Committee-run units. The number of Committee run units fell from about 580 in 1974-75 to 427 at the end of 1981-82. A further 10 have closed since. The majority of closures have been due to loss of viability under the present system of units in buildings which remained occupied.

21. Between 1976-77 and 1981-82 CISCO's efficiency, measured by the change in food turnover per head of catering staff, has grown while that of the Committee system overall appears to have fallen:

Change in:	Food Turnover	'Real' Food Turnover*	Staff Numbers	'Real' Food Turnover per Head of Staff
	%	%	%	%
CISCO	+73	+7	-13	+23
Committees	-12	-46	-32	-20

(\* deflated by CISCO price increases)

22. A further measure of trends is the main meal count. A main meal is currently defined by CISCO as a purchase of 47p or more (defined by reference to the price of bacon, egg and chips) at lunch time from a main counter. This definition is acknowledged by CISCO to be arbitrary, embracing a number of snack meals; a different statistical indicator such as a customer or transaction count is currently being considered. The number of "main meals" sold by CISCO has been broadly stable over recent years while the number sold by Committees has fallen substantially:

	<u>74-75</u>	<u>75-76</u>	<u>76-77</u>	<u>77-78</u>	<u>78-79</u>	<u>79-80</u>	<u>80-81</u>	<u>81-82</u>
CISCO main meals (m)	7.0	7.1	6.3	6.1	6.9	7.4	6.9	6.4
Committee main meals (m)	14.8	12.9	9.9	8.3	8.1	8.2	6.3	5.4

### Issues Examined

23. We have examined:

- (a) the justification for providing a catering service;
- (b) availability and use of the service;
- (c) what the service provides;
- (d) what resources are needed for the service;
- (e) the financing of the service;
- (f) eating trends;
- (g) possible strategies for change;
- (h) the organisation of the service.

### The Justification for Providing Catering

24. There are 3 arguments for providing staff with a catering service:

- (a) necessity; the Government has a duty as employer to feed staff whom it requires to work in remote locations without access to alternative catering facilities. The special need of those in remote locations was impressed upon us by the Ministry of Defence.
- (b) cost-effectiveness; it is cheaper to provide food to staff in some locations than to allow them time to get food off-site, and gives improved control of time-keeping. At one large establishment we were told that to allow staff an extra half-hour flexitime credit to leave the site for lunch would cost £75,000 a week, almost 20 times the weekly cash subsidy to catering on the site. Our own experience of sampling alternative eating facilities in central London, where

there is no shortage of alternatives, confirmed the difficulty of getting a meal and getting back to work within an hour.

- Depn?* (c) welfare; the provision of good quality food at reasonable prices in pleasant surroundings is part of the package of benefits provided by a good employer for his staff, is good for their morale and increases their efficiency.

25. Other employers to whom we have spoken have given reasons such as improved use of staff time and better control of the work process; building staff loyalty; concern that staff get a good meal. The Ashridge survey of 66 companies explored the effect of a good catering service on employee/management relations; some 86 per cent of respondents said that catering contributed towards good industrial relations, 85 per cent agreed that it helped to maintain morale and 68 per cent claimed that it helped in recruitment and retention of staff. A consideration bearing on the provision made by the Government as employer is that in its wider role it subsidises other employers' catering by allowing expenditure on staff catering as an offset against Corporation Tax liability; to provide no catering for its own staff would be seen in marked contrast to this policy.

*7/4-?* 26. The option of ceasing to provide a staff catering service and transferring the saving to the pay packet or providing luncheon vouchers would run counter to the arguments above and to the practice of other major employers. We doubt whether it would be attractive to staff. The cost of the catering service amounts to less than £22 a year for each of the 666,400 civil servants in post on 1 April 1982. To provide each civil servant with 15p a day in luncheon vouchers would cost £10 million a year more than the present service, quite apart from the administrative cost. WE ENDORSE THE AIM OF CURRENT CATERING POLICY, TO ENABLE STAFF TO OBTAIN A GOOD MID-DAY MEAL IN PLEASANT SURROUNDINGS AT A REASONABLE PRICE, AND HAVE EXAMINED HOW FAR THIS AIM IS CURRENTLY REALISED.

#### Access to Catering Services

27. The total of civil servants recorded by CISCO as having access to (ie within  $\frac{1}{2}$  mile of) Civil Service restaurants is some 370,000, or 56 per cent of those in post at 1 April 1982. CISCO's assessment is that this figure is an understatement and that 60-70 per cent would be closer to a true measure. They also estimate that a further 10 per cent (Prison Officers, Immigration and Customs staff at some ports and airports, staff at training establishments, MOD civilians at Service bases, and so on) have access to non-Civil Service catering facilities. Of the remainder, perhaps 5-10 per cent (staff serving abroad and staff in very small, remote offices) could reasonably be considered inaccessible.

28. That leaves 10-25 per cent currently without access to catering who might reasonably be reached. Current guidelines set out in GC/168 provide for a snack service where 60-120 users are expected, a more sophisticated snack service for 120-200 users and a full restaurant service for over 200 users. For planning purposes it is assumed that 20% of those with access will use the service, so that a new catering facility would not normally be provided for fewer than 300 staff.

29. The Industrial Society have told us that in general a full meals service is provided by employers where there is a demand for 100 meals (half the Civil Service guideline); below that level either a snack service or a vending service would typically be provided. Of the other employers we spoke to, one large nationwide employer estimated access at 85 per cent of their total workforce through 450 catering units; 75 per cent of catering was in restaurants feeding between 50 and 200 staff and catering was provided for fewer than 25 staff only in remote locations with groups of 15-20. A second employer told us that their typical catering operation was 100-150 staff on site, ranging from 2,500 staff at their largest site to, normally, 60 at their smallest, though they currently catered at one site for 30 people. A third provided catering down to a smallest unit of 22 staff. Only one of those employers we spoke to had a policy as restrictive as the current Civil Service guidelines; they in general provided catering only where there were 300 staff in the restaurant catchment area, though they exceptionally catered for 120 staff under a dispersal agreement and for 60 staff who had no alternative facilities available locally.

#### Usage of Catering Services

30. CISCO statistics indicate that lunch-time usage of Civil Service catering facilities, based on official figures of 56 per cent access, is 25 per cent (14 per cent main meals and 11 per cent snack meals). This figure excludes sales from trolleys and kiosks at lunch time, or earlier sales for lunch time consumption. Such sales may account, roughly estimated, for a further 10-15 per cent usage. If, however, true access is 60-70 per cent rather than the 56 per cent officially recorded, actual usage is proportionally smaller. IT SEEMS UNLIKELY THAT USAGE EXCEEDS 35 PER CENT OF THOSE WITH ACCESS, OR 25 PER CENT OF ALL CIVIL SERVANTS.

31. The Industrial Society's 23rd Survey of catering prices, costs and subsidies published in mid 1980, covering 140 companies, reported that overall usage of catering services at main service times was 55 per cent of all employees. (No attempt was made to estimate usage as a proportion of those with access to facilities). A supplement to the survey published in 1981, covering a smaller sample of 78 responses showed an increased usage to 64 per cent of all employees. The difference may in part have been due to the difference in the sample. The Ashridge survey reported average lunchtime usage of restaurant facilities as 47 per cent



of all employees of the 66 companies surveyed. (Again no attempt was made to assess usage as a proportion of those with access).

32. The pattern revealed by these outside surveys is confirmed by our own discussions with other employers. Two quoted usage as 40 per cent of the total work force (equivalent in one case to 45 per cent of those with access). A third estimated overall usage at 45 per cent of those with access, a fourth at 60 per cent at head office locations. A fifth estimated usage at different locations as ranging from 66 per cent to 98 per cent.

33. BOTH ACCESS TO AND USAGE OF CIVIL SERVICE RESTAURANTS FALL SHORT OF WHAT WE FOUND ELSEWHERE. WE HAVE EXAMINED THE REASONS FOR THIS AND CONSIDERED HOW ACCESS AND USAGE MIGHT BE IMPROVED.

#### Standards of Food and Service

34. IN VISITING 40 CIVIL SERVICE RESTAURANTS WE HAVE FOUND SUBSTANTIAL DIFFERENCES IN VARIETY AND QUALITY OF FOOD, TYPE OF SERVICE, AND, MOST NOTICEABLY, STANDARD OF PREMISES AND EQUIPMENT, IRRESPECTIVE OF WHETHER RESTAURANTS ARE BEING OPERATED BY CISCO, COMMITTEES OR CONTRACTORS.

35. Both quality and efficiency of operation start with the menu. We were not surprised to find no common set of recipes or approach to menu planning in the Committee restaurants, which largely go their own way provided they do not get into financial trouble. But nor is there a common set of recipes or approach to menu planning in CISCO restaurants. Recipes are selected locally by the chef, cook or manager, or sometimes suggested by the CISCO Regional Catering Officer. It is difficult to believe that all recipes in use for a given dish are equally good but at present there is no standardisation on recipes which have proven acceptability and quality. It was suggested to us that variations in local tastes and skill levels of cooks rule out standardisation. While we accept that certain dishes have a peculiarly local appeal, there is a wide range of dishes whose appeal is national, judging by what we found on menus in various parts of Britain. Nor do we see why recipes should not be pitched at a good basic skill level and recruitment geared to that level.

36. Some restaurants are operating on a 4-week menu cycle, some on a 6-week cycle and some on no cycle at all, devising menus week by week. There is a tendency in menu planning to provide as wide a range of dishes on any day as local demand and available resources will support. The emphasis is on increasing turnover rather than reducing costs: since selling on quality or cheapness is limited by the subsidy level, variety is used to attract customers. Indian and Chinese days are used to stimulate interest; they make additional demands on

staff who are rarely trained in preparing the type of food being offered and we found no evidence that they boost sales beyond the day on which they are held.

37. One notable feature of Civil Service catering is the extent to which products are made up from basic ingredients, including food such as sausage rolls, cakes, biscuits and pizzas which are readily available to buy in and labour intensive to make in small batches. A major reason for the emphasis on in-house production, particularly in restaurants which are marginally viable, lies in the present subsidy system. It was also suggested to us that the quality of "home-made" food was better and that production was using up "spare staff time". In some cases the quality was better, but in others it was not and we found a readiness among restaurant managers to admit that the variability in quality was greater than in factory or bakery produced products. We comment on the use of staff time in paragraph 51.

38. We found variations in the type of service being provided. Some of these were necessitated by the local environment - kiosks as a cost-effective response to scattered sites, snack vending for night shifts, for instance. We were less happy about others - snack and beverage trolley services which in some locations paid for themselves from sales but in others were not viable because they had to operate alongside self-help beverage facilities in the form of hot water boilers and kettles (authorised or unauthorised) and were kept going by Special Service Credits which paid for their labour costs. Another feature of several Ministry of Defence establishments of whose merits we are doubtful is the provision of separate senior staff dining rooms, typically with waitress service, provided at the instigation of the establishment's management. We can see the merits of separate dining facilities for staff wearing oily overalls from those for office workers, if the overall wearers cannot be induced to change. We were less convinced of the cost-effectiveness of separate dining facilities for a handful of senior staff so that they could have somewhere to "talk shop" over lunch. This seemed to us anachronistic in a Civil Service where single-tier dining is the prevailing norm.

39. It has been suggested to us that the emphasis should be on standards not standardisation. The difficulty of achieving one is significantly greater without the other. Diversity increases training requirements, and complicates quality control and control of waste. The ability to control the catering organisation is weakened and comparisons of the efficiency of different units are more difficult. More decisions have to be handled locally, which creates a requirement for more highly skilled, and more expensive, staff and replicates effort in different units. Not least, diversity induces unfairness in what is available to customers in different units.

40. Standardised procedures have been adopted by CISCO in some areas, notably pricing, accounting, stock control and buying. They have standard portions for some items and we

were told that they are moving further in this direction. No such standardisation operates in Committee restaurants. WE RECOMMEND THAT STANDARDISATION SHOULD BE EXTENDED TO RECIPES AND MENUS ON THE BASIS OF PROVEN FAVOURITES, SO AS TO SIMPLIFY MANAGEMENT, IMPROVE PRODUCTION QUALITY, AND REDUCE DISCREPANCIES IN STANDARDS BETWEEN UNITS, AND SHOULD APPLY ACROSS CIVIL SERVICE CATERING, NOT JUST IN CISCO UNITS. WE RECOGNISE THAT SOME DIFFERENCES IN TYPE OF SERVICE ARE WARRANTED BY DIFFERENCES IN LOCAL ENVIRONMENTS BUT WE CONSIDER THAT THESE NEED TO BE JUSTIFIED IN TERMS OF THEIR COST-EFFECTIVENESS.

### Resource Requirements

41. The major resource requirements apart from the food itself are premises, equipment and staff.

### Premises and Equipment

42. In common with other employers the Government provides restaurant premises, equipment and main services free of charge to the caterer. The cost currently falls on PSA Votes. The PSA were unable to give us any estimate of the amount of this expenditure on kitchen and restaurant premises and equipment, or of the total size and value of the "catering" estate; expenditure on catering facilities is not recorded separately from that on other parts of the buildings in which facilities are provided.

43. A new regime for financing Government accommodation is to be introduced from April 1983. Major capital expenditure, over £100,000, will continue to be financed from PSA Votes. All new buildings with significant catering facilities and major rebuilding of existing kitchens will come into this category. The determination of priorities within this category of expenditure will continue to rest centrally with the PSA's Directorate of Civil Accommodation (and in respect of Defence expenditure with PSA Directorate of Defence Services) in consultation with departments. CISCO has and under current plans will have no discretion over the determination of priorities in relation to expenditure either on its own or Committee-run kitchens and restaurants; its role is limited to that of professional adviser to the PSA and departments.

44. Capital expenditure under £100,000 will under the new arrangements be incurred by PSA and recovered from departments through an accommodation charge related to the space they occupy. In specialised buildings such as courts, prisons, laboratories and research establishments the actual costs of works services will be recovered from departments. Determination of priorities within this category will continue to rest with the 10 PSA Regional Directors in consultation with departments. Similarly, the cost of decorating and

maintaining restaurant and other premises will be recovered from departments as a unit charge spread across departments according to the space they occupy, and assessment of expenditure priorities will rest with PSA Regional Directors in consultation with departments. Departments will have discretion to commission and finance themselves work costing up to £500.

45. A critical factor in achieving good food standards is modern, efficient equipment. Some of the restaurants we have visited, in new buildings, are moderately well equipped and pleasantly decorated and furnished, though we saw no sign of the most modern equipment such as high speed cookers which make possible rapid, efficient small batch cooking and ensure that food reaches the customer freshly cooked. Modern units were a minority of those we saw. More typical were over-large kitchens with aging equipment. Only in the minority of modern or recently uplifted restaurants did we find carpets, curtains, attractive dining room furniture and generally congenial surroundings in which to eat. THERE IS A WIDE DISPARITY BETWEEN UNITS IN THE STANDARD OF CATERING PREMISES. THE PREDOMINANT PICTURE IS ONE OF INEFFICIENT, OUT OF DATE KITCHENS AND COMFORTLESS DINING ROOMS.

46. Since PSA were unable to estimate annual expenditure on Civil Service catering premises we asked CISCO to make a guess at a broad order of magnitude based on their own experience. They suggested £1 million per annum. This would be consistent with the present state of premises. A moderate sized new kitchen designed to serve 200 main meals may cost in excess of £100,000. We find it difficult to see how 680 kitchens and restaurants providing the current range of services, using capital equipment which private firms would write off over 10 years, could be maintained in a reasonable state with modern, efficient equipment for less than £7 million a year.

47. PSA told us that some money is available for estate rationalisation and this could be used for modernising catering facilities where this would result in the recovery of usable space and ultimately in savings in accommodation expenditure which offset the cost of modernisation. While we saw several kitchens and dining areas which are over-large for their current purpose and where space could be surrendered, the limitation of this approach to modernisation is that the space surrendered is rarely prime space, because older restaurants have tended to be tucked into basements and may not be readily re-usable. The benefits of modernisation are more typically seen in the form of staff savings, improved quality of food, and improved customer use, none of which is taken into account by the PSA.

48. The basic problem underlying the poor state of catering premises is lack of financial provision for maintenance and improvement of the Government estate. But a further problem so far as catering is concerned stems from the system of allocating available funds.

Catering premises must take their turn in the queue for money, sometimes for several years. The chances of a particular restaurant being allocated funds may depend on different departments' assessment of the importance of catering and on the PSA Region in which the department is located. Catering priorities are unlikely to be the determining factor. WE RECOMMEND THAT THERE SHOULD BE A SPECIFIC ALLOCATION OF CASH FOR EQUIPMENT AND IMPROVEMENT OF CATERING PREMISES, WHETHER CARRIED ON PSA OR CISCO VOTES, WHICH CISCO WOULD BE RESPONSIBLE FOR DISTRIBUTING IN CONSULTATION WITH PSA AND DEPARTMENTS. We appreciate that this would detract from departments' ability to decide whether catering or some other form of accommodation was their own priority. But in view of the close relationships between equipment, decorative order, staffing, food quality and customer usage we consider that the balance of advantage lies with assessing one item of catering expenditure against another rather than with assessing expenditure on catering accommodation against that on other forms of accommodation.

49. We considered whether premises and equipment costs should be reflected in the price the customer pays for his meal. He has no discretion over where the restaurant is located or over its size and therefore its cost. We can see no gain in efficiency from allocating premises costs in this way. The effect would almost certainly be to increase prices to a level which would result in the closure of many restaurants. 'FREE' PROVISION OF EQUIPMENT AND PREMISES IS STANDARD PRACTICE AMONG OTHER EMPLOYERS AND WE RECOMMEND THAT IT SHOULD CONTINUE FOR CIVIL SERVICE CATERING.

### Staffing

50. CISCO staff numbers have fallen, from 1620 field staff at 31 March 1980 to 1392 at 31 March 1982, as part of the Government's policy of reducing Civil Service manpower, and in response to commercial pressures to contain costs in order to remain viable. At several restaurants we were told that numbers had been cut to the point where the system can barely cope with staff absence through sickness, holidays, etc and we saw evidence of this in the form of Managers manning cash desks. Committee staff numbers are not subject to Civil Service manpower controls but they too have fallen in response to commercial pressures, including restaurant closures, from 1790 at 31 March 1980 to 1466 at 31 March 1982.

51. It is extremely difficult to draw conclusions about relative efficiency of catering units either within the Civil Service or with other employers, because so much depends on factors outside the caterer's control which differ significantly, but we noted the extent to which full-time staff are used: some 45% of CISCO industrial staff are full-timers and several of the part-timers work almost full-time. Part-time staff offer flexibility and reduce the temptation to "use spare staff time" that we referred to in paragraph 37. CISCO ARE

MOVING IN THE DIRECTION OF MAKING MORE USE OF PART-TIMERS AND WE RECOMMEND THAT THIS SHOULD BE PURSUED VIGOROUSLY ACROSS CIVIL SERVICE CATERING.

52. We were struck by the amount of staff time and effort absorbed by control procedures, notably monthly stock-taking and accounting for the receipt of goods. These procedures are designed to protect the public purse. While they may be justified in larger units, however, we found them cumbersome in smaller units, as local managers often agreed. Stocks levels differed so little from month to month as to call into question the need for so frequent stock-taking; management vigilance and periodic spot checks seemed to offer at least equal protection against theft. In small units we saw some evidence of short cuts with book-keeping because the system in use imposed too great demands. WE RECOMMEND REAPPRAISAL OF THE ACCOUNTING PROCEDURES IN USE IN CISCO UNITS WITH A VIEW TO SIMPLIFYING THEM.

53. Finally, WE SEE SCOPE FOR SAVINGS IN STAFF TIME FROM:

- (a) INSTALLING LABOUR-SAVING EQUIPMENT (for instance to facilitate customer self-service of vegetables and beverages and customer clearing of tables); and
- (b) BUYING IN MORE FINISHED AND SEMI-FINISHED FOODS.

54. The other dimension of staff costs is wage rates. CISCO industrial staff wage rates have traditionally been determined by reference to Civil Service engineering pay rates, supplemented at several Ministry of Defence establishments by local productivity bonuses and elsewhere by efficiency bonuses. We have not carried out a full remuneration survey but evidence of local catering pay rates in the north-east of England and of the rates paid by other national employers to their catering staff both suggest that CISCO catering wage rates are higher than those paid by Committee restaurants and the catering industry generally. WE RECOMMEND THAT THERE SHOULD BE A REVIEW OF PAY LEVELS AND OF THE BASIS FOR DETERMINING CIVIL SERVICE CATERING WAGE RATES.

### Financing the Catering Service

55. We estimate the net cost of the present system in 1981-82, excluding the value of catering premises, as follows:

(a)	the various forms of cash subsidy:		£m
(i)	CISCO:	Special Service Credit	4.5
		Productivity Bonus Credit	0.7
		Percentage Grant	1.3
(ii)	Committees:	Special Service Credit	0.5
		Percentage Grant	<u>1.4</u>
			8.4
(b)	administrative and equipment, etc. costs		
(i)	CISCO Headquarters		1.3
(ii)	Committee Officers' time		2.1
(iii)	Departmental Nominated Officers		0.5
(iv)	Equipment		1.0
(v)	Fuel, etc.		1.0
			<u>5.9</u>
			<u>14.3</u>

56. We considered the merits of withdrawing the cash subsidy from Civil Service catering and transferring £8.4 million into staff pay packets. This would be more equitable than the present system, under which 130-190,000 civil servants have no access to subsidised catering. But the cash benefit would be less than £13 a year per head and if the effect of higher prices was to deter more people from using the service, as seems likely, several smaller restaurants which are now marginally viable would close. THIS OPTION WOULD EXACERBATE THE PROBLEMS OF LOW ACCESS AND USAGE FOR VERY LITTLE BENEFIT TO STAFF OR EMPLOYER AND WE RECOMMEND AGAINST IT.

57. We have examined other employers' policies towards financing their staff catering services. The Ashridge survey analysed the policies of 66 companies as follows:

make no charge	4.5%
recover part of food cost from customer	33.0%
recover food cost but not labour	55.0%
recover entire cost of food and labour	7.5%

This evidence is supported by a survey of 22 employers which shows the Civil Service third from bottom of a table of average expenditure by the employer per head of those with access to the catering service; expenditure per head at the median of the table is more than double Civil Service expenditure per head.

58. Our own discussions with six employers and the information we received when visiting two other employers with contractors also sustain the conclusion that CIVIL SERVICE CATERING IS SUBSTANTIALLY LESS SUBSIDISED THAN THAT OF OTHER MAJOR EMPLOYERS. All eight have a more generous subsidy policy. The most common approach is for the employer to meet the labour costs of the catering service and to charge the customer food cost plus VAT. The labour cost of Civil Service catering in 1981-82 was £15.6 million against a subsidy of £8.4 million.

59. The relatively low level of subsidy to Civil Service catering exacerbates the requirement that CISCO, unlike Committee restaurants, should surrender any surplus from trading at the end of the financial year. This surplus results from budgeting to avoid a deficit in circumstances of uncertainty as to the level of sales that will be achieved. The surplus represents a small proportion of turnover but a significant proportion of the subsidy:

	1977-78	1978-79	1979-80	1980-81	1981-82
CISCO Turnover (£m)	6.574	7.498	8.366	9.516	9.816
CISCO Grant subsidy (£m)	0.796	0.944	1.063	1.220	1.258
CISCO Surplus (£m)	0.257	0.514	0.323	0.159	0.243
Surplus as % of Turnover	4%	7%	4%	2%	2%
Surplus as % of Grant	32%	54%	30%	13%	19%

The obligation to surrender the surplus weakens the effect of the subsidy. CISCO have suggested that the problem could be resolved by holding the surplus in a suspense account and bringing it to account in the next financial year. We see some merit in this in enabling the purpose of the subsidy to be achieved, though the scale of the problem would be reduced if the level of subsidy were higher.

60. We have examined the structure of the subsidy to Civil Service catering. It has two main components: the percentage grant and Special Service Credits. To achieve the maximum percentage grant, a restaurant needs to show a gross profit on food purchases of 45 per cent. This requirement was intended to serve as an inducement to efficiency. Its effect has been rather different. Because the gross profit on bought-in finished foods is much lower than that on food made up in-house from basic raw materials, it serves as an inducement to manufacture food in-house, using labour to economise on food costs. A further defect of the percentage grant is that it subsidises large units with high turnover and more scope for achieving high gross profit more heavily than it subsidises small units whose costs relative to turnover are higher: in effect the units which are less in need of subsidy receive more subsidy.

61. The inducement to use labour is constrained by the requirement to break even, allowing for the element of subsidy, but this constraint is weakened by the system of Special Service Credits, which subsidises the labour input to certain services. These Credits are



payable irrespective of whether the services they cover are in themselves profitable. They detract from the incentive to meet the needs of the customer as efficiently as possible and since they are at departmental discretion they introduce a measure of inequity between staff in departments which choose to pay Credits and those where there is no money available. In the case of CISCO restaurants they far outweigh CISCO's income from the percentage grant and in 1981-82 covered 43% of CISCO's wage bill.

62. WE HAVE FOUND NO OTHER EMPLOYER WHO OPERATES A SUBSIDY SYSTEM AS COMPLEX AND CUMBERSOME AS THE CIVIL SERVICE SYSTEM. WE CONSIDER THAT WHATEVER LEVEL OF SUBSIDY IS SET, THE EFFICIENCY OF THE CATERING SERVICE WOULD BE BETTER ENCOURAGED BY A SIMPLER PATTERN OF SUBSIDY WHICH REMOVED THE GROSS PROFIT CRITERION AND ELIMINATED OR DRASTICALLY REDUCED SPECIAL SERVICE CREDITS.

### Trends in Eating

63. Apart from looking at what Civil Service catering is providing, we have tried to assess wider trends in eating. Industrial catering is not isolated from wider social changes or from changes in eating habits outside the work environment. We have already noted that main meals are purchased by no more than 14 per cent of entitled users as against 11 per cent who purchase snack meals. The number of main meals sold by CISCO has been broadly stable at this low level over the last 8 years while the number sold by Committee run restaurants is now little more than a third of the level of 8 years ago, a fall which is not explained by restaurant closures. The advice we have from the Industrial Society and the HCITB is that there is a trend away from main meals at lunch-time in the work place except where they are heavily subsidised.

64. There are several plausible explanations for the present pattern of Civil Service eating:

- (a) cost to the customer, which is relatively high by industrial catering standards and would tend to steer customers towards cheaper snack meals except when they were prepared to pay for a treat;
- (b) the spread of flexitime (covering some 200,000 non-industrial civil servants in 1979), which reduces the amount of time people want to take over their lunch break, and their willingness to make a return journey of up to 1 mile to eat;
- (c) a trend towards eating a family main meal in the evening (less marked in Scotland) coupled with increasing diet consciousness which reduces lunchtime food needs;
- (d) other claims on lunch time such as shopping;

- (e) the growth of fast food outlets in the High Street and their effect on the eating habits of young people in particular (who several Civil Service restaurant managers told us are turning to snack meals, leaving older staff as the main consumers of the traditional main meal);
- (f) a preference for more congenial surroundings than are provided in many Civil Service restaurants.

65. We have found little recent evidence of what civil servants do if they do not use a staff restaurant. Such evidence as is available comes from 3 surveys: one in 1981 of 1300 Department of Trade and Industry staff, carried out in response to concern at declining restaurant usage at 1 Victoria Street, and two this year by CISCO of 128 staff at Basingstoke and 815 staff at the Royal Aircraft Establishment, Farnborough.

66. The Department of Trade and Industry survey revealed the following pattern of eating habits:

	%
Go home to lunch	0.5
Bring sandwiches, etc from home	33.4
Buy sandwiches, etc outside	23.8
Eat in cafe or restaurant	8.9
Eat in local pub	6.4
Use staff restaurant	26.8

67. The Basingstoke results showed:

Use restaurant	54% of total sample
(Since this far exceeds recorded usage figures it must include several occasional users)	

Do not use restaurant at all and:	Regularly	Occasionally
Bring sandwiches from home	23% of total sample	3%
Buy lunch elsewhere	5%	4%
Go home to lunch	5%	2%
Use trolley service	2%	8%
Visit public house	-	3%
Visit public restaurant	-	2%
Have no lunch	2%	1%

68. The Farnborough survey revealed the following pattern:

Users:

Use restaurant twice a week or more	32% of total sample
Use restaurant less often	25% of total sample

(Occasional users were not asked what they did on other days)

Non-Users:	Regularly	Occasionally
Bring sandwiches from home	18% of total sample	3%
Buy lunch elsewhere	2% of total sample	2%
Go home to lunch	15% of total sample	4%
Use trolley service or take-away point	1% of total sample	5%
Visit public house	0.5% of total sample	4%
Visit public restaurant		0.5%
Have no lunch	0.5% of total sample	2%

Possible Strategies

69. By comparison with what we have found elsewhere civil servants do not get value for money from their catering service. The present Civil Service catering policy falls short of the aim of providing a good mid-day meal in pleasant surroundings at a reasonable price. We have identified a number of changes which should improve the cost-effectiveness and the quality of Civil Service catering:

- (a) standardisation of recipes and menus on the basis of proven favourites;
- (b) allocation of a specific sum annually for equipment and improving and maintaining catering premises;
- (c) more effective use of staff through more use of part-timers, simpler accounting procedures, labour-saving equipment, and buying in more finished and semi-finished foods;
- (d) a review of pay levels and the basis of determining Civil Service catering wage rates;
- (e) simplification of the subsidy system.

70. These changes are desirable but they do not go to the heart of the fundamental problems of low access and low usage. To tackle these problems a strategy is needed which will:

- (a) reduce the cost to the customer of meeting the lunch-time food needs of the majority;
- (b) offer the customer quick and convenient access to food;
- (c) take account of changes in eating habits, notably the trend away from a mid-day meal except where it is heavily subsidised;
- (d) provide the customer with pleasant surroundings in which to eat.

71. One possible strategy would be to develop the present range of services by increasing the subsidy to the level we found elsewhere and carrying out a programme of improvements to kitchens and dining areas. The broad cost of this strategy in existing units might be:

Usage (Access by 70% of 630,000 civil servants)	35%	45%	55%	65%
Cost (£million per annum):				
Subsidy	15.6	20.1	24.5	29.0
CISCO HQ, Committees, etc	3.9	3.9	3.9	3.9
Premises and equipment	7.0	7.0	7.0	7.0
Energy	1.0	1.3	1.6	1.9
	<u>27.5</u>	<u>32.3</u>	<u>37.0</u>	<u>41.8</u>
Staff numbers				
(a) Part-timers count $\frac{1}{2}$	2,860	3,675	4,495	5,310
(b) Full-time equivalents (estimated)	3,540	4,550	5,570	6,580

These costs compare with a net cost to the Government under the present policy of £14.3 million in 1981-82 for 35% usage.

72. Such a strategy should increase usage at least to the 45-55% experienced by other employers. To increase access to the service by providing a snack service on the current pattern for a further 94,000 staff (15% of the 1 April 1984 Civil Service) in small offices might cost a further £5-6 million a year in subsidy and administrative costs and £3-4 million a year in premises and equipment costs.

73. Significant elements of the cost of this strategy arise from continuing to provide a range of services - hot meals, salads, hot snacks, cold snacks - which require skilled staff and management and expensive kitchen installations, and to provide them at a price the customer is prepared to pay. It would be possible to limit the additional cost through smaller increases in subsidy and in expenditure on premises. But this would represent only a partial solution to the problems we have identified. We consider that there is an alternative strategy which would satisfy the criteria at paragraph 70 at lower cost.

74. Our alternative and preferred strategy would be to provide a much simpler service offering high-protein, good quality sandwiches supplemented by soup, fruit juice, cakes, yoghurt, fruit and beverages. One round of sandwiches would be sold at a subsidised price. Further sandwiches and the other items available would be sold at cost plus VAT. Equipment requirements would be much less than for a hot meals service and the money

saved on kitchen equipment would be used to create a pleasant dining room environment. We estimate the cost of this strategy in existing units as:

Usage	35%	45%	55%	65%
Cost (£million per annum)				
Subsidised sandwich:				
Ingredients and wrapping	7.9	10.2	12.4	14.7
Staff (Production, Selling, Supervision, etc)	6.6	8.6	10.4	12.4
Premises and equipment	2.0	2.0	2.0	2.0
CISCO Headquarters	0.7	0.7	0.7	0.7
	<u>17.2</u>	<u>21.5</u>	<u>25.5</u>	<u>29.8</u>
Less Revenue:				
10p per sandwich less VAT	2.9	3.7	4.6	5.4
15p per sandwich less VAT	4.4	5.6	6.9	8.1
20p per sandwich less VAT	5.8	7.5	9.2	10.8
Staff numbers:				
full time equivalents	1,160	1,490	1,820	2,150

75. To increase access by providing this service for a further 94,000 staff might cost an extra £3-4 million a year in subsidy and administrative costs and £1-2 million a year in premises and equipment costs.

76. This strategy would offer the following advantages:

- (a) simpler quality control, a reduction in the disparities in quality which exist within the present system, and tighter management control generally;
- (b) flexibility in where service is provided, enabling the service to be taken to the customer and to be provided economically for night shifts and small groups through machine vending;
- (c) maximum benefit to the customer from expenditure on catering premises by spending money on the customers' side of the counter and not on expensive kitchen equipment;
- (d) use of existing staff resources to reach more customers and savings in staff hours, including headquarters staff;
- (e) a good quality nutritious basic menu (which the Civil Service Medical Adviser considers healthier than the current 'pie and chips' type of snack menu) which would be widely acceptable at a price which all staff can afford;
- (f) adaptability to provide working lunches;
- (g) improved working conditions for catering staff.

The strategy would cost more than the present policy, up to £7 million a year in existing units and £5 million a year more in providing a service where none currently exists. The extra cost arises from reaching more customers. But it represents a more cost-effective approach to improving access and usage than that of developing the present range of services, which would cost up to £35 million a year more than the present policy.

77. This strategy would be capable of variation to reflect basic differences in environment. Where work is largely done out of doors, for instance, hot snacks may be needed rather than sandwiches. Some large sites may have a demand for a limited unsubsidised main meal menu alongside the subsidised sandwich menu. Before the variations are explored, however, we consider it desirable to test the acceptability to the customer of the sandwich menu.

78. WE RECOMMEND A PILOT PROGRAMME TO TEST THE ACCEPTABILITY OF A SUBSIDISED SANDWICH BASED MENU AS A MEANS OF INCREASING ACCESS TO AND USAGE OF CIVIL SERVICE CATERING AT MANAGEABLE COST.

79. The pilot programme would consist initially of a project lasting 12 months at a single restaurant. The ideal location would be a relatively small office, of perhaps 150-250 staff, with existing catering premises which are no longer operated. In such a location the cost of the subsidy and of adapting the premises would be low and the ability to cater for small numbers for whom the current pattern of service is not viable would be tested. The object of the pilot would be to test the acceptability of the menu and, once the system had settled down, to assess the cost of the operation.

80. We would envisage an interim appraisal after 6 months of the pilot. If at that stage usage of the restaurant was significantly higher than the 35 per cent which is the average in Civil Service restaurants, planning would begin on the second stage of the pilot programme. This would involve further projects at:

- (i) a unit with an existing cold snack service and low usage;
- (ii) a unit with a hot snack service and low usage;
- (iii) a unit with a main meal service and low usage;
- (iv) a scattered site or series of small sites which would have a vended service served by van from a larger site.

81. IF THIS SERIES OF PILOTS DEMONSTRATED SUCCESSFULLY THE ACCEPTABILITY OF THE SERVICE, MEASURED BY IMPROVED USAGE, AND ITS COST-EFFECTIVENESS, THE NEXT STAGE WOULD BE PROGRESSIVE IMPLEMENTATION STARTING FROM A UNIT WHICH WOULD BE USED AS A TRAINING CENTRE IN EACH

CISCO REGION AND BEGINNING WITH LOWER USAGE UNITS, DEMONSTRATING CUSTOMER ACCEPTABILITY AT EACH STAGE. WE RECOMMEND THAT UNITS WHICH CURRENTLY HAVE NO CATERING SERVICE SHOULD HAVE A HIGH PRIORITY IN THE IMPLEMENTATION PROGRAMME.

82. The whole programme of implementation would cover 5 years. In the meantime the existing system would continue in parallel with the new system. DURING THE 2 YEARS PILOT STAGE WE RECOMMEND THAT THERE SHOULD BE A MORATORIUM ON MAJOR BUILDING WORK ON KITCHENS AND ON REALLOCATION OF EXISTING DINING AREAS FOR OFFICE SPACE WHERE TRADITIONAL RESTAURANTS HAVE BEEN CLOSED, TO AVOID NUGATORY EXPENDITURE. WE ALSO RECOMMEND THAT THERE SHOULD BE A MORATORIUM ON RECRUITMENT OF NEW MANAGERS BY CISCO PENDING REAPPRAISAL OF THE MANAGEMENT REQUIREMENTS OF THE NEW SYSTEM.

### Beverages

83. Provision of beverages for morning and afternoon breaks can take many forms: an official trolley service provided by the staff restaurant; a less official service provided by messengers; self brew facilities in the form of officially provided hot water points; and unofficial self-help in the form of private kettles. In some cases two or more of these facilities exist side by side in the same building, usually to the detriment of the viability of the official service, the efficient use of staff time and the appearance of offices cluttered with milk bottles and tea pots. This muddle has existed through management tolerance and the high cost of officially provided beverages. OUR DISCUSSIONS WITH OTHER EMPLOYERS AND WITH CATERERS AND OUR SAMPLING OF SOME OF THE PRODUCTS AVAILABLE HAVE SATISFIED US THAT A VENDED BEVERAGE SERVICE OFFERS A MORE SATISFACTORY SOLUTION TO THE PROBLEM. Good quality vended tea and coffee are available from several sources and our discussions indicate that it would be feasible to provide tea at 5p a cup and 'real' coffee at 10p a cup at no cost to the employer by letting vending contracts. (To achieve these prices it would be necessary to let contracts covering a mix of large and small buildings). WE CONSIDER THAT THIS OPTION SHOULD BE EXPLORED IN DETAIL.

### The Organisation of Catering

84. Running a catering service is increasingly a job for professionals trained to handle the complexities of VAT, employment and health and safety legislation and responsive to developments in catering practices. Under the present subsidy policy several Committee restaurants are on the verge of closure; running them is demanding and stressful. It is a part-time occupation for Committee offices who are appointed by departments and have minimal or no training for the job. Departmental Nominated Officers have told us that they

find it increasingly difficult, faced by manpower cuts, to identify suitable people who can be spared part-time from their jobs. The cost of the time allowances of up to 20 hours a week to Committee officers amounts to a subsidy to Committee catering of some £2 million a year.

85. The independence of each Committee restaurant constitutes a source of inefficiency. Few Committee restaurants are large enough to employ professional catering management and their independence is a barrier to sharing professional management. CISCO's role in relation to the Committees is that of adviser; provided they do not run into overt financial trouble the Committees are not obliged to seek or take this advice. In practice, CISCO Regional Catering Officers may visit Committee restaurants no more than once a year unless they are in financial trouble. Committees are encouraged to use the CISCO list of nominated suppliers but have discretion not to do so; the effect is to replicate effort in securing price quotations, reduce central buying power and reduce the price discounts which would otherwise be available from suppliers. Committees each run their own book-keeping systems, different from each other and from that operated by CISCO. One Committee we met was considering computerising its accounting system because the Treasurer could not spare the time to do the books manually, when a CISCO computerised accounting system is already in existence.

86. Only two of the other employers we spoke to had operated Committee systems for part of their staff catering and they had phased them out in favour of professional catering management. OUR CONCLUSION IS THAT THE COMMITTEE SYSTEM IS OUTMODED AND WE RECOMMEND THAT THE COMMITTEES SHOULD BE REPLACED BY CENTRALLY CONTROLLED PROFESSIONAL MANAGEMENT, ON A SHARED BASIS WHERE THE SIZE OF UNITS MAKES THIS MORE EFFICIENT. The obstacle to effecting this change has been the cost of giving Committee employees Civil Service status and the effect on Civil Service manpower numbers. The Managed Committee, with CISCO providing a professional manager to a Committee, was devised as a way round this obstacle. It does not, however, solve the problems of recruiting Committee officers and of the Committees' independence and gives rise to ambivalence as to whether the manager is responsible to CISCO or to the Committee. We consider that our recommendations for a review of CISCO wage rates and for a new catering policy which would enable staff to be used more cost-effectively substantially remove the obstacle to phasing out Committees.



87. The Industrial Society's 23rd survey analysed the practice in 141 catering units with regard to the use of contractors or in-house catering. It found that size had a significant bearing on whether catering is done in-house:

Size of unit	Contractor	In-house
Very small (less than 80 cooked meals a day)	53%	47%
Small (81-150 meals)	58%	42%
Medium (151-450 meals)	31%	69%
Large (451-1500 meals)	22%	78%
Very large (more than 1500 meals)	13%	87%

Some very large organisations contract out catering but the general tendency is for large catering operations to be in-house.

88. We discussed with the other employers we spoke to their reasons for choosing to provide catering in-house or use contractors. One who has opted to use contractors is providing catering in a highly mobile environment, operating from a particular site for a relatively short period; contractors offer flexibility which it would be hard to match with an in-house operation. Another regards catering as part of the staff benefit package, but also as a distraction from the main business of the company; it could not offer catering staff a satisfactory career within the company; its solution is to prescribe catering policy from the centre but to leave the operation of the catering policy to contractors under the day to day supervision of local company management. Three companies who have opted for in-house catering stressed the improved control this gives over the catering operation. It was not in general relative cost which tilted the balance; it was suggested to us that there was little to choose in overall cost terms.

89. Our discussions with other employers and with contractors did not sustain any firm conclusion about the relative merits of in-house catering and contractors in the Civil Service context. Civil Service catering is large enough to sustain a professionally managed, in-house catering service. CISCO can point to a record of increasing efficiency as measured by the Gross Profit Margin on food (increased from 41.3 per cent in 1974-75 to 50 per cent in 1980-81) and by turnover per head employed. Our visits to CISCO-run restaurants have impressed us with the degree of commitment and enthusiasm shown by CISCO management and staff; CISCO represents a substantial investment in people.

90. Equally, our observation of contractor operations suggests that several are capable of providing a standard of service to match that in Civil Service restaurants, though the dissatisfaction with a contractor we found at one unit exceeded any criticism we experienced of in-house catering. The contractors we spoke to quite reasonably said that they could not give us an estimate of their costs or their charges to employers in the

abstract; these would depend on the specific circumstances in which they had to operate and the policy to which they were required to work. We have not therefore, been able to provide sensible relative costings of in-house as against contractor operation, or therefore to assess whether any cost advantage would arise from using contractors to offset the £5 million once and for all and £¼ million a year continuing redundancy cost of putting all Civil Service catering out to contract.

91. An exercise is currently in progress in MSC Skillcentres to compare the performance of CISCO and of contractors; Skillcentres in 6 regions are being catered for by CISCO, those in 3 other regions by contractors. The results of this exercise are due to be assessed by spring 1984 and should provide some indication of CISCO's relative efficiency. There are, however, significant differences between the requirements of catering in Skillcentres and those of Civil Service catering generally. Competitive tender between CISCO and contractors to operate specific units would provide the only reliable test of relative merits. WE RECOMMEND THAT REPLACEMENT OF COMMITTEES BY PROFESSIONAL MANAGEMENT SHOULD BE USED TO TEST THE RELATIVE COST AND QUALITY OFFERED BY CISCO AND CONTRACTORS.

92. To get the best results from either contractors or in-house caterers requires clearly defined objectives and systems appropriate to the aims of the catering organisation. The major problems of Civil Service catering that we have identified - relatively low access, under-use, variable quality of food and premises - stem essentially from current catering policies and systems. They are unlikely to be resolved by a change of caterer and measures taken to solve them might have a direct bearing on the choice of caterer. Successful development of the sandwich strategy, for instance, might point to factory production of sandwiches rather than bringing in contractors to make them. WE RECOMMEND THAT THE CHANGES IN CIVIL SERVICE CATERING POLICY SHOULD BE GIVEN PRIORITY OVER THE QUESTION OF WHETHER CISCO, COMMITTEES OR CONTRACTORS SHOULD OPERATE RESTAURANTS.

93. There is one aspect of policy, however, which bears directly on the choice between in-house catering and contractors. Under the present rules only the in-house caterer is entitled to other than nominal subsidies. The result is that the cost of using a contractor is borne by the customer. We find the logic of this difficult to reconcile with the welfare aim of Civil Service catering and with equity between groups of staff. It also distorts comparison of the merits of in-house and contractor operations. WE RECOMMEND THAT THE SAME SUBSIDY POLICY SHOULD APPLY TO BOTH IN-HOUSE CATERER AND CONTRACTOR.

94. Irrespective of whether Civil Service restaurants are operated by CISCO, by contractors or by a mixture of the two, there is a need for a central catering organisation within Government responsible for implementing catering policy and ensuring that the Government and the customer get good value for money out of the catering service. This organisation needs professional expertise and the authority which comes from responsibility for the catering service and not just from an advisory role. WE RECOMMEND THAT CISCO SHOULD BE RESPONSIBLE FOR THE PATTERN AND STANDARD OF SERVICE AND FOR IMPLEMENTING PRICING AND SUBSIDY POLICY IN ALL CIVIL SERVICE RESTAURANTS, WHETHER OPERATED BY CISCO OR CONTRACTORS, IN CONSULTATION WITH LOCAL MANAGEMENT.

95. CISCO currently reports up the Public Expenditure side of the Treasury. It is unusual for Public Expenditure divisions to have direct responsibility for policy in an operational area. The most common practice outside the Civil Service is for the staff catering organisation to report to the personnel side of the business, an arrangement which reflects the staff welfare function of catering. WE CONSIDER CISCO'S CURRENT REPORTING ARRANGEMENTS ANOMOLOUS AND RECOMMEND THAT CONSIDERATION BE GIVEN TO TRANSFERRING CISCO AND RESPONSIBILITY FOR STAFF CATERING POLICY TO THE MANAGEMENT AND PERSONNEL OFFICE.

**SYBIL BARNES**  
**ADRIAN CARTER**  
**September 1982**

**COUNCIL OF CIVIL SERVICE UNIONS  
SUBMISSION TO THE RAYNER TEAM**

**Introduction**

1. Organised catering facilities in the civil service (ie staff restaurants and snack bars) are provided, as set out in the terms of General Circular GC/168, where warranted by numbers, demand, the inadequacy of alternative facilities locally and the interests of efficiency, with the aim that staff should be able to obtain a good meal in pleasant surroundings at a reasonable price. The criterion for deciding what provision should be made is that the staff restaurant or snack bar should be capable of operating on a break-even basis within the present subsidy scheme (ie subsidies both in kind and cash).

2. While we agreed, in 1978, the present basis for catering facilities - as representing some rationalisation of the earlier criteria - the Council of Civil Service Unions do not accept that the needs of civil servants are being met. We recognise the difficulties in assessing and providing for those needs, particularly in view of the changes in eating habits over recent years and the dispersed and varying character of civil service work places. Nevertheless, we believe that catering facilities, provided and managed by the civil service, with union representatives having some role to play in their control, a voice for the consumers, and fair treatment for catering staff, should be much more widely available to civil servants, including those who work outside normal hours (eg on evening or night shifts).

3. As regards the subsidy scheme, financial control and manpower levels, these have never been agreed with the Council of Civil Service Unions.

**Subsidy**

4. The subsidies to catering are in two parts; subsidies in kind (such as catering premises, equipment, fuel, light and cleaning), and cash subsidies. On subsidies in kind the CCSU have always maintained that this sort of provision is made automatically by other employers providing staff catering and it should not be regarded as a subsidy towards running costs. The Industrial Society, which conducts regular surveys of catering prices, costs and subsidies supplied by employers does not attempt to quantify these costs.

5. The cash subsidy scheme, which was introduced under Estacode Circular EC/228 in 1974 and modified by General Circular GC/127 in 1976, was not agreed with the CCSU. It has been argued by the Official Side that this form of cash subsidy is self-regulating and does not need amendment in the light of cost inflation; that, moreover, it is a system which

rewards efficiency. Conversely, it can be argued with equal force that it encourages the purchase of cheap commodities and re-sale at an over-priced level; that, moreover, it ruthlessly penalises any inefficiency in operation and is responsible for closure of many restaurants, especially those under non-professional committee management. The overall effect is that CISCO tariff prices tend to be in the upper quartile of subsidised meal prices compared with those in the Industrial Society surveys, and this fact was confirmed by the Chief Executive at a recent meeting with the CCSU.

6. Under the modifications made to the subsidy scheme in April 1976, the percentage scale was extended to help those committee-managed restaurants making full use of the grant scheme and the small restaurant grant was increased; the cleaning grants abatements ended, pre-opening loans for new restaurants were converted into grants, and the time allocation for committee secretaries/treasurers doubled. Hardly had these easements been made when the then Labour government required CISCO to make £120,000 contribution to its headquarters costs in that financial year as part of public expenditure cuts. This was at a time when many other employers were allowing the deficit on their catering operations to rise to offset to some extent the effects of the incomes policy then in force.

7. Under the present government's manpower cuts CISCO is required to reduce its complement to meet arbitrary targets. The effect of these cuts has been to reduce services and consequently lower the amount of cash subsidy provision.

8. If catering facilities are to be allowed to operate efficiently and effectively and if prices are not to fluctuate in ways unconnected with movements in food and normal trading costs, the subsidy scheme should not be subject to the vagaries of governments' economy and manpower constraints.

#### CISCO Financial Control

9. Whilst the subsidy scheme is designed to put money into catering, it is a fact that the manpower and financial constraints imposed by governments take it out again. The CCSU have also expressed strong views to the Official Side about the present system of financial control applied to CISCO. Under the vote system CISCO is required to carry deficits over from one year to the next but it is not allowed to carry over surpluses. In the financial year ended 1980 the surplus made by CISCO almost equalled its cash grants and so effectively meant that no subsidy was made that year. The financial system has been modified but is still not considered satisfactory by the CCSU, and they are not convinced that the present accounting procedures allow the subsidy scheme, inadequate though it is, to operate to the full extent authorised. The accounting system is not one which any private trading company would consider operating and makes no sense for a trading organisation like CISCO.

### Manpower Cuts

10. The CCSU are opposed to arbitrary cuts in civil service manpower, and nowhere do they make less sense than in relation to trading organisations like CISCO. If demand is strong, the organisation should be allowed to expand to meet it, and if it cannot because of arbitrary manpower cuts, the government is in breach of the catering facilities agreement. Provided CISCO operates on a break-even basis within a subsidy scheme, the level of manpower should not be in question.

11. At present demand is low and falling, so CISCO has had little difficulty in reducing its manpower, but the CCSU are concerned that new opportunities to expand or halt the decline in demand will be inhibited by the knowledge that if they require an increase in manpower they will not be tolerated; in direct breach, as we have said, of the catering facilities agreement.

12. The CCSU maintain that CISCO should be judged on its ability to trade and should not be subject to cuts unrelated to its trading position, with the means whereby any surplus can be ploughed back to enhance and improve either the facilities or services without prejudicing the following year's subsidy.

### Closures

13. A further area of concern to the CCSU is the present high rate of staff restaurant closures and the very low rate at which new restaurants are opened. Whilst there are sometimes inescapable reasons for closure, such as the closure of the office, the CCSU are concerned that many closures may be due to an unwillingness on the part of the Official Side to help restaurants over what might well be severe but relatively temporary difficulties. That reluctance has been strengthened by the fact that if CISCO were to take over a restaurant in difficulties the staff would then become civil servants. This then effectively amounts to a breach in the catering facilities agreement under which the management of a staff restaurant may be taken over by CISCO provided it can be run on a break-even basis within the subsidy scheme.

### Meal Vouchers

14. The CCSU believe that catering facilities should be widely provided to ensure universal coverage and easy access to all civil servants. However, universal coverage is not provided and, it must be recognised, is unlikely to be achievable. Therefore, where civil servants do not have access to civil service catering facilities and cannot be provided with access to other employers' subsidised facilities, meal vouchers should be provided.

15. The civil service currently operates a system of meal vouchers for juvenile members (ie up to age 19). The value of the vouchers is only 15p a day and has not been increased since 1976. The voucher system is unsatisfactory not only because the value is low and under the pay research system was taken fully into account in settling pay, but also because large numbers of young people could not make use of the vouchers, which are normally only exchangeable in civil service staff restaurants. Commercial caterers are reluctant to enter into agreements to accept the vouchers. The CCSU have proposed that the voucher be replaced by a meal allowance for juveniles with a more realistic value, and linked to food costs. In the current pay round the Official Side have offered to convert the voucher into pay with a grossing-up for tax and national insurance contributions which will leave the net value very much the same. The voucher scheme recognises that there is a special responsibility on the employer to encourage young employees to take a substantial meal. The CCSU believe that this responsibility can best be discharged by the introduction of a juvenile meal allowance.

### Conclusion

16. Although very few employers provide completely free catering facilities, many large employers recognise the value in management terms, staff welfare and morale of providing good, cheap meals. The CCSU have expressed in the strongest possible terms their concern at the present propensity of the government to cut back the level of subsidy to catering services, and their disregard for the terms of the catering facilities agreement, both of which are designed to reinforce and encourage successful catering provision, and both of which are seriously undermined by the present government policies on financial control and manpower cuts.

17. On every side the government's blind pursuit of its current policies results in the unilateral setting aside or undermining of agreements. The effect on the morale of the civil service is devastating and in the area of catering the policies cannot be justified on the grounds of seeking to cut out waste and increase efficiency, when they are having precisely the opposite effect.

## THE INSTITUTION OF PROFESSIONAL CIVIL SERVANTS

## CATERING BRANCH SUBMISSION TO THE RAYNER TEAM

Introduction

1. This paper supplements the evidence already given by the CCSU. It deals directly with the position of the catering staff of CISCO who are IPCS members.

Background

2. CISCO was established in 1972 on the recommendation of a team of management consultants. It was envisaged that such an organisation could establish, co-ordinate and set a strategy to cover the whole of catering within the Civil Service. We would refer you to the recommendations and conclusions which appear in the Management Review of Civil Service Catering 1970.

3. The result (of the recommendations) was to draw together Direct Catering and the Treasury Catering Advisory Service; the terms under which this operation was to be achieved are set out in Chapter I of the CISCO Catering Manual.

4. Progress of the remaining recommendations of the review body has been extremely disappointing in that there are a number of departments who operate their own headquarter restaurants, for example the Home Office and the Department of Environment. This has resulted in different standards of catering being available to Civil Servants and a fragmented service which has denied many Civil Servants access to a comprehensive catering package comparable to that provided by other major employers.

5. Despite the 1980 report, there still exist the following methods of catering within the Civil Service.

- 1 Direct Units
- 2 Committee run
- 3 Managed Committee run
- 4 Contract Catering

1 Direct Unit Catering

6. These are directly run by CISCO, who provide professional catering management and catering staff with regional supervision.



7. There are many such units situated in Government establishments throughout the country, the sizes of which vary from small establishments with 150 staff to the Ministry of Defence Dockyards and Royal Ordnance Factories who would cater for thousands of people every day.

## 2 Committee Run Restaurants

8. These are run by a committee of Civil Servants who employ the staff, pay the wages and generally lay down the standards. The staff and Manager (if any) are non-Civil Servants. The committee is administered department by department via an officer of that department, known as Departmental Nominated Officer; in some departments it is one person, in others it is several. The committee units number approximately 400. CISCO has an obligation to watch over the operation to ensure that they remain viable and to offer professional advice as it is required.

## 3 Managed Committee

9. These are as above but CISCO provides a manager on an agency basis and regional supervisor who have CISCO Headquarters back-up. These arose when, through manpower cuts, it was no longer possible for CISCO to take over any committee-run restaurant which could no longer operate independently; in such cases these were then run as direct units.

10. In operating the managed committee system CISCO recovers the management cost from the committee and the profits are equally shared between the Committee and CISCO.

## 4 Contract Catering

11. In the main, these are committee-run restaurants which have chosen to employ contract caterers which are usually individual or family concerns. A recent addition to this has been the Government Skillcentres, which were managed by CISCO Catering Managers on a repayment basis from the Manpower Services Commission. As a result of manpower cuts, the MSC decide to place all Skillcentre catering with contractors; after representations from the unions both in MSC and CISCO, agreement was reached to run in parallel a committee managed system and contract catering system.

## Managed Committee (MSC)

12. The managed committee system has accountability and professional catering supervision, unlike that part of MSC which decided to opt for private contract without catering advice being given to ensure that public money was being spent wisely. These MSC contracts were let without reference to any unbiased caterer, and, as a consequence, MSC agreed with CSD to run a two year experiment to ascertain whether their original claims of cost effectiveness were justified. This experiment still has some 20 months to run.

13. The above amply demonstrates the fragmentation of catering within the Civil Service which is of grave concern to us. This fragmentation allows for a wide range of standards both in man management, staffing levels, food presentation and services. Departments, because of their budget constraints, can withdraw financial support from any catering unit, or if they so wish the whole of their catering activity, which must lead to reductions in service, which eventually reduces the value of the catering package to those Civil Servants who work within that particular unit or Department.

14. There is a wide variation of cost standards for food, hygiene etc in the different systems as there is no central control or accountability to any single organisation; CISCO was set up to achieve these ends.

#### Present

15. As previously mentioned, over the years, CISCO has taken over committee-run restaurants to provide a service to the staff of these establishments but, due to consistent Government manpower cuts and restrictions, which will not permit increases of the Catering Managers' complements, this practice has ceased much to the detriment of the staff who, in many cases, face the prospect of losing the facility altogether.

#### Civil Service Catering

16. This should be provided as part of the welfare package which the Civil Service, as good employers, is expected to provide. In the past, departments have recognised the valuable role catering has played in improving the conditions of employment. This has been regarded by its employees as one of the tangible benefits of the employment package as embraced in E 228 and GC 127.

#### In-House catering

17. The advantages to management of providing stable recognisable in-house catering (on a larger scale) are:

- (a) Controlled standard of food and services
- (b) Direct financial control
- (c) Published accounts
- (d) Consistency in policies with ability to adapt
- (e) Consistent professional catering management standards across a wide range of activities

The benefit to the Civil Service of the in-house system is that there is a reservoir of qualified caterers who are able to provide professional advice to departments at a minimum

cost, as and when required. Without such a facility, such advice would not be sought, or the expertise would have to be brought in at a high price. It is our view based upon experience that any such advice, unless obtained from a completely independent source, could be biased, especially from such sources as contract caterers and equipment suppliers, who could have a vested interest.

18. Unlike outside Industry, successive Government have failed to recognise the true benefits of in-house catering as a morale booster and this has led to an erosion of this particular benefit in the employment package.

### Subsidy System

19. The Subsidy system is formally documented and well established with some enhancement being provided from departments. This policy allows considerable variations in its application and falls short of the general level of subsidy provided by outside businesses and nationalised industries in general. A certain distortion takes place when pricing policy could earn a greater subsidy than is allowed for under Government cash limits.

20. For example, if the cash limits on the subsidy were set at a figure of £12,000, which would be an estimate for the amount of subsidy the department would earn on its food turnover (20 per cent of food turnover), and price increases increased our food turnover from £50,000 to £70,000, then the amount of subsidy earned would be £14,000, £2,000 above the cash limits which had been set. The organisation would have a choice of either foregoing subsidy or not increasing prices by the appropriate amount, which could in the end mean that it would not meet its budget.

21. The subsidy system is in need of an overhaul and replacement by a system which is self-adjusting and which does not increase a unit's profitability but assists viability. GC 127 only allows a subsidy on food sales when profit has been achieved and as such is a subsidy linked to profits; a new system should be negotiated with the Trade Union Side. A self-adjusting system could be based on total staff cost subsidy which would adjust according to the amount of salary and wage increase in each year. An alternative system would be to encompass the utilisation of staff and material cost whilst allowing for a fair division of cost between customer and department. An example is set out below giving this idea in broad terms. The system will be based on estimating staff and material increases over a year. The method of arriving at a measured material increase would have to be run on an index across a given range of commodities which could then be measured at the end of each year as against the forecasted increase. This type of system could be made even more workable if the carry-over system on the vote was allowed.

Wage cost of £5m estimated increase	10% =	£500,000 estimated
Therefore Departmental Subsidy	7% =	70%)
Customer input through increased prices	3% =	30%) of the above figure
If in the event wage costs rose by	11% =	<u>£550,000</u>
the Departmental subsidy would be	70% =	£385,000
Customer input	30% =	<u>£165,000</u>
		£550,000

as against an estimated figure of £350,000 and £150,000 respectively

Material Cost		
Estimated 12% increase over the year	=	£500,000
Departmental subsidy	6% = 50%	£250,000
Customer input through increased prices	6% = 50%	£250,000
Index measured at year end on increase of	10% =	£416,666
Departmental subsidy	50% =	£208,333
Customer input	50% =	£208,333

The splits between departmental and customer are examples only for illustration purposes and are not intended as a statement of the CCSU position.

22. On the question of viability, national viability is what matters, not individual unit viability. Any organisation must have the means of being able to move each cash support to those units which most need it. This would be in the main to smaller units which tend to be isolated, where the turnover figures cannot support the running costs, whereas a larger unit is more able to utilise its resources more effectively and efficiently and has a greater opportunity to support its running costs.

23. It must also be borne in mind that CISCO also acts as a collector of taxes in the form of VAT. The Government which funds the subsidy also receives the VAT. If these amounts are compared, the balance is slightly in favour of the Government, as CISCO does not have the off-setting advantage enjoyed by a commercial firm who set off VAT against equipment, travelling etc.

24. CISCO is required to pay back to the Treasury all profit at the end of the financial year. This amount, together with the 15% VAT on all sales more than offsets the subsidy paid under the present system.

## Future

### 1 Expertise

25. CISCO contains a great wealth of tried and tested expertise which should be used to the benefit of the whole of the Civil Service by providing sound professional advice across a variety of catering activities which is at present being provided within the systems listed at the beginning of this submission.

26. The value of this expertise has been amply demonstrated by the continually improving performance of both finance, control, food and service standards of the CISCO directly run units, and redressing the deterioration of the committee system, evidence of which can be seen in the support given by the Trade Unions when MSC proposed to discard the CISCO managed units.

### 2. Framework for the Future

27. The policy under which a Government catering division must operate needs to be decided centrally, then implemented by a body whose purpose is to see its fair application, without the variations adopted by departments.

### 3 Value for Money

28. Any food service must be seen to be giving value for money; CISCO can and would provide such a service if given the opportunities made available by outside Industry. Catering is not an exact science but our controls make it easier to measure it in financial terms. This must be seen as only part of the equation. The standard of food service, hygiene, etc is the part of the equation which cannot be quantified.

### 4 Welfare Package

29. CISCO as an organisation is suffering from a lack of confidence in its own ability; this has been brought about by the following;

- (a) Changes of Government policy
- (b) Change in department
- (c) Changes in Chief Executive - 3 in two years, each with a different approach
- (d) The MSC (TSD) situation, whereby departmental policy has an enormous effect on another department
- (e) The failure by departments to recognise the complexities of providing a catering service across various activities and to bring about a cohesion, thereby giving the catering organisation recognition of the role it plays as part of a total welfare package. This situation should be redressed.

We believe that, when a framework has been worked out, any change should be by central negotiation through the Whitley Welfare Committee.

### Catering System

30. It is our conviction that the present approach by departments via the committee system does not offer sufficient control nor does it offer value for money. There is a need therefore for a fundamental review of the system.

### Conclusion

31. It is our view that catering for the Civil Service has, over the years, been immeasurably beneficial, affecting the morale, performance, and standard of the service, never failing to respond to changes in policy and direction, achieving at times what seemed the impossible. The dedication and professionalism of all CISCO staff has drawn high praise from every inspection team to visit CISCO. This standard of achievement and dedication would be difficult to match elsewhere in the Service. We are fiercely opposed to any dilution and we feel that the staff's fortitude, dedication and patience has earned them the right to expect that at last perhaps a sensible, coherent recommendation embracing all aspects of Government catering will be made.

32. Thought must be given to what form of future services must be offered to the customer and methods by which those who at present, because of the size of their working unit and its isolation, are denied access to this element of the employment package.

33. It is not enough to say eating habits have changed, therefore everyone has changed their eating habits. Because many Civil Servants will eat a snack at lunch time many more, most certainly those doing manual work in the Dockyard and ordnance factories, will look for and expect a full meal. Similarly, many young people have been conditioned to eating light lunches but this will not necessarily mean sandwiches.

34. There is a need for all forms of catering to be available although by necessity, not all Civil Servants can expect to have an inexhaustible choice but we believe that it is possible in the right atmosphere of subsidy support and freedom for CISCO to expand, that these objectives can be achieved.

35. Finally we would wish to make reference to the meal voucher scheme; the value of such schemes is where they provide businesses with recruitment incentives for staff in towns and cities where there are outlets for staff to trade them in; many Government establishments are in relatively remote areas, certainly some distance from shops which makes them an impractical proposition; also, in the large establishments such as dockyards

employees are situated a great distance from the main gates which means that half their lunch period would be spent travelling to and from the places of purchase. Another disadvantage would be that the value necessary to make the meal voucher attractive would need to be fairly high and this would mean that they would attract income tax.