

ITEM NUMBER: 9.3

CONFIDENTIAL REPORT

ALWYNDOR SERVICE DELIVERY BUSINESS CASE

Pursuant to Section 87(10) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Audit Committee Members upon the basis that the Audit Committee members consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that the Audit Committee will receive, discuss or consider:

- d. **commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and would, on balance, be contrary to the public interest.**

Recommendation – Exclusion of the Public – Section 90(3)(d) Order

1. That pursuant to Section 90(2) of the *Local Government Act 1999* Council hereby orders that the public be excluded from attendance at this meeting with the exception of the Chief Executive Officer and Staff in attendance at the meeting in order to consider Report No: 164/22 Alwyndor Service Delivery Business Case in confidence.
2. That in accordance with Section 90(3) of the *Local Government Act 1999* Council is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 164/22 Alwyndor Service Delivery Business Case on the following grounds:
 - d. pursuant to section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to confer a commercial advantage on a third party.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

Item No: 9.3

Subject: **ALWYNDOR SERVICE DELIVERY BUSINESS CASE**

Date: 1 June 2022

Written By: General Manager, Alwyndor

General Manager: Alwyndor, Ms B Davidson-Park

SUMMARY

On Monday 21 March 2022 a Business Case to insource Catering Services for Alwyndor was considered and supported at a special meeting of the Alwyndor Management Committee (AMC). Subsequently Council considered this matter at its meeting held on 12 April 2022 and approved the recommendation.

Alwyndor is committed to providing excellence in its residential services and recognises the importance of food, nutrition and the dining experience as an integral part this commitment. A review of Alwyndor catering services has identified issues of concern in relation to quality, presentation and nutrition, as well as inefficiencies with the current service model. A business case has been prepared to move catering services in-house with the aim of increased control over the service model and increased food satisfaction and quality. This aligns with two of Alwyndor's strategic actions:

- Customer Experience: Implement enhanced dining experiences
- Customer Experience: Develop hospitality training for carers.

This report offers a summary of the work undertaken, informs Audit of AMC and Council recommendations regarding the new catering model and the approval granted by Council to bring forward associated capital funding for the project. The Business Case can be provided in its entirety if required.

Subsequent to the AMC consideration of the Business Case Vision Food Services (Vision) notified Alwyndor on of its intention not to seek renewal of its contract from 30 June 2022.

RECOMMENDATION

- 1. That the Audit Committee notes the report.**

RETAIN IN CONFIDENCE - Section 91(7) Order

2. That having considered Agenda Item 9.3 Alwyndor Service Delivery Business Case (Report No: 164/22) in confidence under section 90(2) and (3)(d) of the Local Government Act 1999, the Audit Committee, pursuant to section 91(7) of that Act orders that the Report be retained in confidence for a period of 12 months and that this order be reviewed every 12 months.
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STRATEGIC PLAN

City of Holdfast Bay: Statutory compliance

Alwyndor:

- Customer Experience: Implement enhanced dining experiences
- Customer Experience: Develop hospitality training for carers.

REPORT**Executive Summary**

Alwyndor is committed to providing excellence in its residential services and recognises the importance of food and the dining experience as an integral part of this commitment. The Royal Commission into Aged Care, Quality and Safety highlighted food and nutrition as critical to a resident's quality of life and wellbeing and noted it as a major area of concern. As a result, the Federal Government increased the Basic Daily Fee by \$10 per resident per day in 2021/22 to be spent on daily living needs, especially food and nutrition. The quality of catering services is also included in the upcoming star rating for residential aged care.

A review of Alwyndor catering services identified issues of concern in relation to quality, presentation and nutrition as well as inefficiencies in the current service model. These issues are reflected in the decline in food satisfaction rating by residents. Management raised these issues with the current contractor on a continual basis, however, little improvement was evidenced.

The Stewart Brown¹ 2021 Aged Care Finance Forum, 63% of aged care homes surveyed operate their own kitchens. The business case has been prepared to move catering services in-house with the aim of increased control over the service model and increased food satisfaction and quality.

The risk profile of Alwyndor will be updated as appropriate to reflect the change in management of residential catering.

¹ Stewart Brown are the lead provider of aged care financial data in Australia

BACKGROUND

A catering review was initially considered by AMC in January 2022.

It was agreed that the quality and presentation of food in Residential Care required significant improvement from the current service provided by Vision.

It was noted that the preferred model was to bring the service in-house. This model was developed in conjunction with Hospitality Dietary Solutions (HDS), an independent provider. AMC was supportive of this model and requested an objective review of the model to ensure efficiencies and rigour in costing and modelling.

In summary, the proposed model included:

- engagement of a Catering Services Manager responsible for high level management of the catering operations, including strategic planning, staff management and training.
- increase in expenditure on food from \$9.55 per resident per day to \$10.90 (ex GST), recommended consistent with the findings and recommendations of the Royal Commission. \$10.90 per day excl GST / \$12.00 incl. GST is based upon an example menu discussed in the AMC January 2022 paper on In-house Catering.
- assigning a kitchen assistant to each residential area (five in total) for the plating and service of food, working closely with the care team(s).
- creating a role to focus on engagement with residents, interaction with the residential team regarding clinical matters and associated dietary requirements and offering active oversight of meal service.
- capital investment:² an upgrade of five (5) kitchenette areas is required due to poor condition ie poor functioning, dated and worn cabinetry. Given we are seeking to implement the new catering model it is timely to schedule this work concurrently, ensuring the design and functionality of the kitchenettes complements and enables the new model.

A recent audit found that the main kitchen also requires some capital investment to remedy inefficient exhaust systems and air conditioning. This work is required irrespective of this project but again will assist in the smooth functioning of the kitchen and will be included in the 2022/23 budget at an estimated cost of \$100k. The ovens have also been replaced recently, again this was required irrespective but will assist the efficiency of the new service model.

² **Capital investment:** a body of work for Alwyndor which is recommended for funding in the 2022-23 budget is the preparation of an Asset Management Plan which will inform future maintenance programs, validate the current fixed asset register via condition audits and provide a maintenance program for (say) the next 10 years which we can have confidence in.

This model was reviewed by independent consultant, Stuart Merrylees, currently Food Services Manager, Meals on Wheels SA (MoW). These services were provided gratis.

Subsequently, Julie Bonnici (AMC Deputy Chair and General Manager Operations, MoW) and Stuart Merrylees undertook a site visit. Ms Bonnici's potential dual interest in this matter was noted at the March meeting.

Feedback from the review and site visit included:

- the proposed staffing and service model was a realistic and practical solution for the site
- support for the need for upgrade of the kitchenettes
- recommended a consultant (Kathy Manning) with requisite skills and expertise to be considered to support the implementation of the project.

As part of this review, AMC noted the inability to account for the discrepancy between the current staff costs (Vision) and the costing of the proposed model using the SA Local Government *Tourism, Hospitality and Retail Award*. It is recognised that this will be an additional operating cost to the business.

The Model

Following this review both HDS and Kathy Manning (noted above) were requested to provide an updated model, project plan and costing. They were asked to provide updated rosters with a focus on the staffing model, costings for food, equipment and potential software for improved efficiency. The consultants were advised that this is a competitive process.

Financial Comparison

At a summary level estimated staffing, operating and consultant costs³ follow:

	Vision	HDS	Comparison with Vision	KM	Comparison with Vision
Consultant Fees		\$47,555	N/A	\$36,400	N/A
Weekly Catering Staff Hours	740	733	-7	663	-70
Staff salaries and wages (per annum)	\$975,500 <i>(\$18.56 / day per contract)</i>	\$1,288,000	+\$312,500	\$1,164,500	+\$189,000
Food cost per resident per day⁴	\$502,000 <i>(\$9.55 / day per contract)</i>	\$575,000 <i>(\$10.90 / day)</i>	+\$73,000	\$575,000 <i>(\$10.90 / day)</i>	+\$73,000
Total difference from Vision			\$385,500		\$262,000

The model proposed by KM has combined some roles proposed in the original model which will not impact on the efficiency and capability of service delivery. This has resulted in a lower staffing cost and more efficient approach than the HDS model.

Kathy Manning is the preferred consultant to undertake the implementation of the In-House Catering Project. Kathy is locally based, has a wide range of experience and expertise relevant to the project and has been very responsive and objective in adapting the original model.

AMC supported this recommendation.

Project implementation

The model has three (3) distinct but interdependent components:

	Element
1	Upgrades: kitchenettes (5) and minor works in two dining areas.
2	Transition: <ul style="list-style-type: none"> notification to Vision, residents and representatives. recruitment of a Catering Manager and preparation for hand over 1 July 2022.
3	Implementation: new staffing model and menu.

NB: 1 and 2 will be managed concurrently.

³ all figures are excl. GST

⁴ Consistent with Royal Commission findings and recommendations, this cost may vary when menus are established but will not exceed this amount.

Benefit analysis

<p>Benefits</p>	<ul style="list-style-type: none"> • Greater control over costs, staffing (including training) and resource allocation. • Better use of funds to enhance catering services ie nil contractor profit margins. • Flexibility to adapt new systems to provide higher standards of catering services. Contemporary menus and food service innovations and increased efficiencies. • Ability to build great work culture i.e. one Alwyndor team. • Increase in food satisfaction for residents as well as amenity and dignity in dining. • Increase in wellbeing of residents due to improved nutritional balance and associated decrease in the cost of nutrition supplements. • Increased control over monitoring, reviewing and changing resident dietary preferences and needs, reducing errors through use of software. • Improved food and food satisfaction will be an important factor for our future star rating.
<p>Dis-benefits</p>	<ul style="list-style-type: none"> • Implement in house policies and procedures to adhere to legislative requirements and maintain these policies and procedures. • Increase resource allocation on employee management. • Increased cost of catering staff ie additional \$189,500 pa (ie new model \$1,165,000 less Vision \$975,500).

<p>Benefits timescale</p>	<ul style="list-style-type: none"> • Greater control, flexibility and standards of catering should be realised soon after the recruitment and training of staff. • With the introduction of the new menu at start of October 2022, it is expected that food satisfaction score should start to increase in 2022-23 Quarter 3 results. • A reduction in food complaints and issues should result in the ability to reduce the frequency of the food focus meetings (currently being held every six weeks). This would be expected to happen within the 2022-23 Quarter 3. • There is a potential for a decrease in the need for supplements if weight loss has decreased. This may be seen in 2022-23 Quarter 4 financial results. • Greater collaboration between catering and care staff should see an improvement in team dynamics.
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Risk analysis

The risk profile of Alwyndor will be updated as appropriate to reflect the change in management of residential catering. The table below has been developed to address current risks and mitigations.

Risk	Mitigation
Inability to attract and retain catering staff	We will work with the current Vision staff to retain suitable staff to continue as Alwyndor employees. It is envisioned that a pool of 35-40 staff will be needed to maintain the proposed roster.
Disruption to dining rooms during kitchenette upgrades	There are multiple dining areas to manage logistics of meals during the upgrades.
Increased management workload	<ul style="list-style-type: none"> The Executive Chef role will include management of the kitchen and will report to the Residential Services Manager (RSM). It is expected that the improvement in quality of meals and service will reduce complaints that need to be addressed.
Disruption to project due to COVID-19	<ul style="list-style-type: none"> In the case of another outbreak the kitchenette upgrades and minor works may be delayed however food provision will continue. Kathy Manning will not be impacted by any travel restrictions as she is based in South Australia, HDS may be impacted given their interstate base noting remote working for some items would be appropriate.

Investment Appraisal

As noted above the renewal works to the kitchenettes can be viewed as separate to (but complementing) the main project ie the works are required independent of the catering review.

It is possible to take over management of the catering services without these works however implementation of the proposed service model would not be as efficient.

Capital costs are as follows:

Kitchenette upgrades (5 areas) *	
Equipment	125,000
Bench, pantry, cabinet redesign	115,000
Subtotal	240,000
*Estimate subject to EOI process	
Dining Room minor works	
Expansion of current dining area (changing from 2 areas to 1 for efficiency of service)	5,000
Subtotal	5,000
Contingency for works 5%	12,250
Total related to in-house catering (1)	\$257,250

The following estimates the project capital and operating costs:

	Establishment costs	Recurrent
Operational Costs		
Consultant project fees	36,400	
Dietician menu review	5,000	
Staff training and backfill	55,000	
Minor refurb of dining rooms	5,000	
Upgrade crockery and cutlery	23,000	
Software implementation*	31,000	
Software annual license		16,700
Catering staff costs		1,165,000
Food costs		575,000
Subtotal	155,400	1,756,200
Project contingency 5%	8,075	
Total Costs	\$163,475	\$1,758,200
Minus current annual Vision Food Solutions fees		-1,477,500 (1)
Minus 10% reduction in current supplement costs		-2,500 (2)
Subtotal		-1,480,000
Net additional annual cost to Alwyndor		\$278,200
Notes:		
1. Vision Food Solutions contract will run until 30 June 2022, based on 144 residents, 365 days per year.		
2. Expected 10% reduction in supplement costs per annum.		
*Subject to solution and negotiations		

Financial impact

The project will have an impact on both FY2022 and FY2023 financial results:

- elements of the operational and capital one off costs (\$163,475) will be incurred during Q4 of FY2022 and Q1 of FY2023
- Kitchenette upgrades of up to \$257,250 will be funded by a variation in the 2021/22
- the project will incur additional operational costs of \$278,200 per annum. This will be included in the FY2023 budget
- the precise impact of this work on the Long Term Financial Plan (LTFP) has been included in the draft LTFP and has not impacted on a projected breakeven position in 2023/24.

Project Governance

The project will be managed by the Alwyndor Manager, Quality and Projects and will comprise:

Team	Participants	Responsibilities
Project Governance Team	General Manager Residential Services Manager Finance Manager Manager, Quality and Projects	<ul style="list-style-type: none"> Decision making group Resolve escalated project issues Authorise major change requests
Project Team	Residential Services Manager Manager, People and Culture Manager, Quality and Projects Facilities Coordinator Consultant	<ul style="list-style-type: none"> Planning, monitoring and implementing project Escalate project issues as needed Generate change requests as needed Oversee scope, schedule, quality and budget

Communications

The following is an outline of the communication channels to be used during the project:

Team	Frequency	Medium
Project Governance Meeting	Fortnightly	Face to face
Project Team	Weekly	Face to face
Executive Team	Monthly	Face to face
AMC	Monthly	Reports
Residents	Initial and then as required	Face to face via resident meetings Resident newsletter
Families, decision makers	Initial and then as required	Alwyndor newsletter and email
Staff	Initial and then as required	Face to face and email Training

Change Management

This project will require a carefully planned and delivered change management to ensure the catering staff and care staff are fully on board with the new procedures and have updated training.

The consultant will assist with in-house training with catering and care staff regarding new menu and quality of service.

Residents and families will be engaged in the project. When appropriate they will be notified of upcoming kitchenette upgrades, changes to where meals are being served during the upgrades and timeframe of when they can expect the new menu etc. It is envisioned that residents and families should see a marked improvement in quality and service of meals and it is expected will view the project in a positive way. Engagement will emphasise the benefits of moving to in-house catering.