



# Community Chef: A Case Study in Local Government Innovation



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This case study was written by Alex Kats and Angela Zivkovic following an initial draft by Mark McKenzie-McHarg. It was made in co-operation with Community Chef. The video version was produced in association with Wind & Sky Productions.

The case study was prepared by Local Government Managers Australia (LGMA), a consortium partner of the Australian Centre of Excellence for Local Government (ACELG). The authors, LGMA and ACELG gratefully acknowledge the input and contributions to this case study made by the various people involved in the Community Chef project.

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# Preface

## Community Chef Case Study

The Community Chef project was driven by a group of councils in Victoria with a shared need and a shared vision.

It is an outstanding example of councils working together to deliver a quality service outcome under an innovative social enterprise structure.

The goal of this case study is to showcase the Community Chef project and service model.

It describes the Community Chef project through all its phases, as well as the lessons learnt along the way.

## Complementary Video Case Study

This written case study should be read in conjunction with the complementary video case study available at: <http://www.lgma.org.au/community-chef.html>.

The two online videos that comprise the video case study include interviews with key initiators, stakeholders and practitioners involved in the project.

The first is a micro-documentary summary:

>> *The Community Chef Story (4' 30")*

The second is a longer video with more detailed interviews:

>> *Insider Interviews (15' 08")*





## 1.0 INTRODUCTION: Why a Case Study on Community Chef?

## 1.1 Objectives of this Case Study

This case study has been prepared by Local Government Managers Australia (LGMA), a consortium partner of the Australian Centre of Excellence for Local Government (ACELG).

LGMA is the leading professional association representing managers and aspiring managers in local government throughout Australia. ACELG is a unique collaboration of universities and professional bodies whose vision is: World-class local government to meet the emerging challenges of 21st century Australia. One of the priority areas of ACELG consortium partners is to exchange information and share learnings, and promote and raise awareness of innovation and good practice in the sector.

The Community Chef project has been widely acclaimed as an outstanding example of local government collaboration and resource sharing. Participating councils from metropolitan Melbourne and regional Victoria were able to look beyond the short-term to develop a long-term, shared, quality service response that meets the greater community need, and provides a social dividend as well.

Whilst the focus of the Community Chef project is on the delivered meals function, the key lesson to be taken from this case study is that, as an example of best practice, its potential is far greater. The core message is that the Community Chef model can be adapted and applied in any number of other government service areas and functions, both within local government and beyond.

One of the intentions of this case study is to inspire and encourage those involved in the local government sector to consider and pursue different, innovative and collaborative solutions to the complex challenges they face.

## 1.2 What is Community Chef?

Community Chef is a state-of-the-art environmentally sustainable commercial kitchen facility located in the suburb of Altona in the City of Hobsons Bay in Melbourne's south-western suburbs. It is a collaborative joint venture between councils in and around Melbourne, but operates as a separate arms-length business and contracts to member councils and other clients to deliver quality cook-chill or snap frozen meals ready for use by community members. All meals are high quality, nutritious and ready for delivery to elderly, frail and disabled residents.

Community Chef commenced operations on 1 December 2010, but the journey started some years earlier when a number of councils identified very similar problems in their communities and decided that the best way to tackle them was by joining forces and creating an innovative, world-class solution.

When Community Chef began in 2010, it was producing 4,000 meal items per day. Today, it prepares over 12,000 meal items daily, or just over one third of Victoria's total requirements for Meals on Wheels. From the outset, it was built with social, economic, cultural and environmental outcomes in mind. It services the needs of the community and gives back to it in socially responsible ways, which will be further detailed below.

Starting with just a few councils in collaboration, the operation now has 23 member councils that extend from Colac Otway in the west, to Macedon Ranges in the north, and Greater Dandenong in the east.





## 2.0 THE PROBLEM: The Origins and the Driving Force

## 2.1 Meals on Wheels – delivered meals service

Community Chef has its origins in Meals on Wheels. The Meals on Wheels concept started in the United Kingdom when the Women's Volunteer Service prepared meals for servicemen and civilians who had lost their homes to bombings during World War II. It came to Australia in 1952 when volunteers in South Melbourne delivered meals to the elderly on tricycles. Since those early days, the delivered meals service increasingly became government funded and moved on to be a core function of many councils across Australia.

As the demand for, and the uptake of delivered meals' services grew, so too did the delivery challenges faced by local government. The challenges generally reflected increased community expectations for quality and variety, and increased compliance requirements and standards. These challenges included:

- Improving the quality and nutritional value of meals delivered to the elderly and needy;
- Offering culturally relevant and appealing meals to an increasingly multicultural community;
- Compliance with increasingly rigorous and onerous food health and safety standards, and the management of the risks associated with commercial-scale food production; and
- Costs and efficiency in the delivery of services.

## 2.2 Local Government Sector Context – Victoria

In the mid-1990s, the Victorian state government amalgamated the then 210 local governments into 79, and introduced Compulsory Competitive Tendering. In the post-recession economic environment, the focus of government service delivery was squarely on cost saving, efficiency and resource sharing. Councils were encouraged to contract out services, many of which had historically been provided by councils on an in-house basis.

At this time, some private providers also entered the delivered meals market, competing for council contracts. However, many councils had difficulty achieving the requisite quality outcomes through this new tendering process. Some councils, including the City of Hobsons Bay in Melbourne's south-western suburbs, set up internal teams, as arms-length business units, to bid for the Meals on Wheels contracts in their own councils. In order to achieve the necessary economies of scale for efficiency, they teamed up with neighbouring councils and provided meals to them on a contract basis.

Under the contracted service model, individual councils retained responsibility for home delivery (mostly using volunteers), with the meals supplied to an agreed local dispatch point.



## 2.3 Increased Expectations

Throughout this period, consumer expectations continued to increase. No longer were the community recipients happy with an institutional-standard meal. With increased multicultural diversity in the community, a standard Australian 'roast and three veg' meal had become a less acceptable benchmark. Expectations had grown, and according to community sentiment at the time, customers desired access not only to a home delivered meal, but to a range of other standards, including quality, appetising and nutritious meals, as well as a variety of culturally appropriate meals.

Small suburban kitchens serving relatively small quantities and working substantially with volunteer labour in localised settings found this new, increased service standard increasingly difficult to reach. Typically, meals were being prepared in kitchens that were under resourced. At a systemic level, the kitchens were ill-equipped to meet modern health and safety standards, let alone respond to the demands for diverse multicultural and nutritionally complex menu offerings.

It had become clear that, while the existing system did not have the scale or capacity to adequately respond to the new level of demand for quality and variety, a new service standard would be capital intensive. It would require very significant investments by councils if approached on an individual basis.

It became apparent to some in the local government sector that this was an area where collaboration, sharing and the pooling of resources might offer better solutions.

## 2.4 Community Chef Origins – The Regional Kitchen

The Community Chef story started in 2004. Thirteen councils came together as 'The Regional Kitchen' to find a solution to ensure a guaranteed supply of quality, nutritional meals at an affordable price to meet the needs of the elderly and others in their communities who required a delivered meal service.

The model has been built from the bottom up: it started with consideration of the needs of the community members that councils serve, and the desire to keep them healthy and active. Throughout the process, the taste, nutritional value and quality of the meals have remained paramount.

Starting in 2005, the councils undertook extensive research, including a risk assessment and a feasibility study, as well as an independent review of costs. This work concluded that a consortium-based regional food production facility was feasible, and led to the development of a detailed business plan for the project. By 2007, the 13 original councils had signed a shareholder agreement and incorporated RFK Pty Ltd.

Over the next two years interest in the project grew, and a recruitment campaign led to other councils joining as members. When Community Chef began in December 2010 it had 20 member councils. This has since expanded to the current number of 23 (see the Appendix for the full list of member councils.)

## 2.5 A 'Fork in the Road'

A detailed business case for the Community Chef project was prepared in 2007/8. There were two potential options developed for the Community Chef model:

- **The traditional path**

The first option was to adopt a traditional commercial kitchen model. This involved the establishment of a mainstream commercial kitchen as a joint venture by members. This was considered to be the safer route and had a lower capital cost estimate.

- **The innovative '2zones2' path**

The second option was to take the trail-blazing path involving the establishment of a genuine world's best practice commercial kitchen facility focused on quality and efficiency. This was generally considered to be the less known and riskier route. It also had a higher capital cost estimate with a funding gap.

The Board decided to pursue the innovative, high quality trail-blazing path. As Hayden Raysmith, the founding CEO Community Chef, commented: "The most magic moment for me was to take the two business plans to the Board: one with a high level of certainty, the other with a pretty high level of uncertainty, and for the board to make a commitment to build a state-of-the-art facility."





### 3.0 THE SOLUTION: A 'World's Best Practice' Commercial Kitchen



### 3.1 The Concept and Design – the ‘2zones2’ model

In order to make the project a reality, the consortium undertook a worldwide search to find the best available commercial-scale meal production technology and processes. This exhaustive search examined overseas research and food production technologies and methods in England, Germany, France, the Netherlands, Switzerland, Norway and the United States.

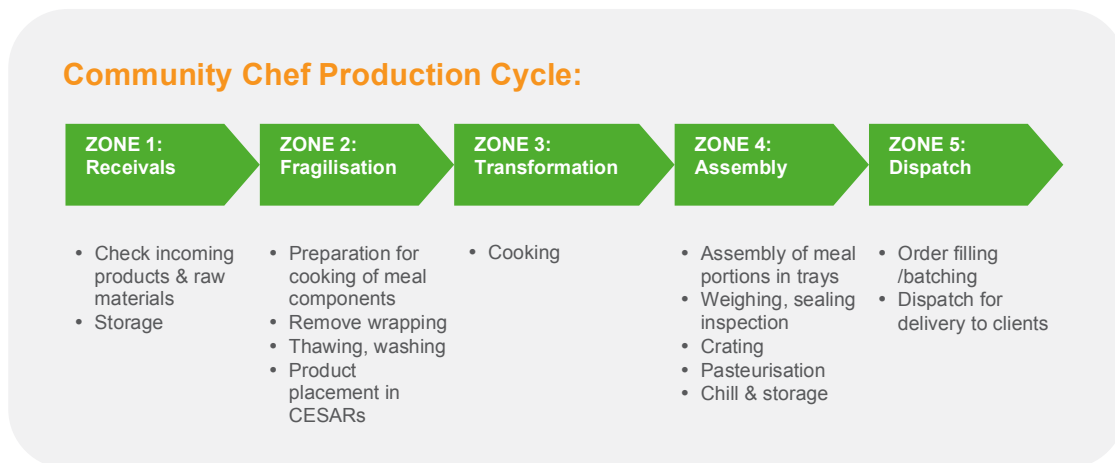
The search in France eventually took the team to the world-renowned architect, François Tesnière, of 3bornes Architects in Paris. He led them to what is known as the ‘2zones2’ commercial food production model. It embraces the latest and most innovative technological solutions and methods for the large-scale production of meals. After careful assessment and review, this French model was identified as the model of the future and appropriate for Australian conditions, and was adopted by the Community Chef Board.

The kitchen design is based on an overhead rail transport system (see picture below) that moves refrigerated insulated containers (called ‘CESARs’) revolving on an aerial railway hanging from the ceiling through each of five separate production stages. This removes the need for trolleys and ensures the critical separation of raw and cooked food required to reduce risk and comply with food health and safety standards.



## 3.2 The five zone production process – a unique design

Part of the uniqueness of the design is that it separates the production process into five distinct phases, each of which is in its own separate zone of the overall kitchen. Not all of the zones are the same size, but each is critical to the process, and the structure is designed so that an item can be easily tracked from when it comes into the kitchen, to when it is dispatched to clients. This is summarised in the following diagram:



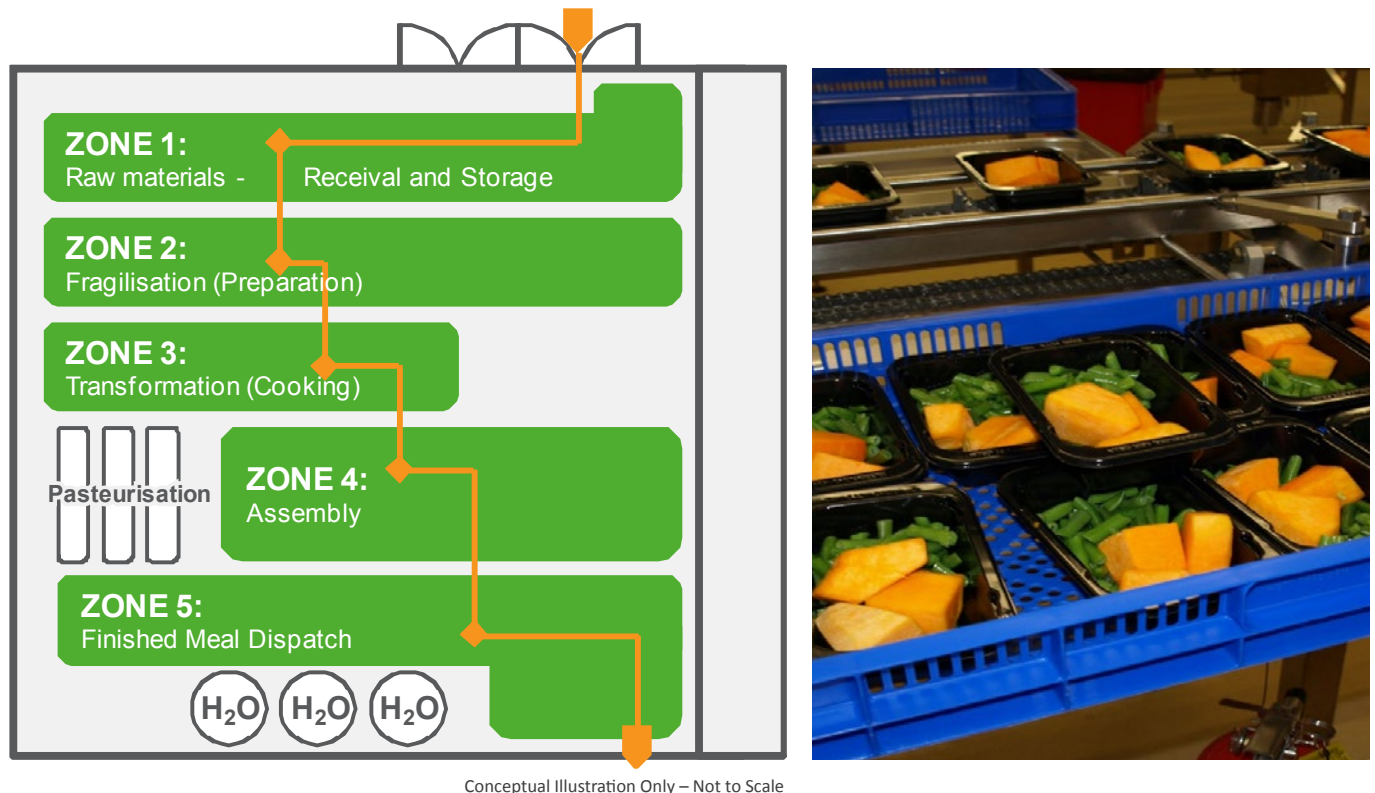
*Diagram 1: Five Zone Community Chef Production Cycle*

The production process follows a logical, sequential, single-direction workflow, based on a ‘first-in-first-out’ / ‘just-in-time’ production method, to ensure the freshness of the produce and to minimise wastage. Products are moved from stage to stage in CESARs travelling on overhead rails, which assists with safety and ease of flow. The five zones, and areas within them, are clearly defined as high risk or low risk, so that workers never cross them. This also helps with food safety and hygiene.

Other key design features include:

- Electronic programming, monitoring and archiving of temperature and cooking times;
- Refrigeration limited to areas where food is kept and stored, limiting the area that requires refrigeration, and thereby minimising electricity wastage;
- Air curtains maintain ambient and food preparation temperatures at the same time in different parts of the facility;
- Reduced usage of chemicals for cleaning, washing and food preparation using e-water, which monitors when and where water is needed and allocates it accordingly; and
- Improved occupational health and safety standards through reduced movement and manual handling, using an overhead rail system and the elimination of the need to work in low temperatures for long periods.

The following graphic illustration shows the Community Chef kitchen design and layout and each of the five phases of the production process:



*Diagram 2: Five Zone Community Chef Kitchen Layout*

The five zones and the way they were uniquely designed and positioned within the structure results in a facility that is one third smaller than other facilities with similar capacity. This means lower running costs and less ground for workers to cover, and also keeps each zone separate and safe.

The other feature that is unique and separates Community Chef, is the fact that most meals are pasteurised, meaning that the flavour, texture and nutritional value is locked in, typically giving the food a 30 day shelf-life for cooked meals under normal refrigerated storage conditions. This pasteurisation process, which was built into the design of the facility, enables increased delivery flexibility by council customers in terms of planning for receipt and dispatch of meals from their own local depots, especially to cover periods such as weekends and public holidays. It enables councils to deliver multiple meals to end users for several days, or even a couple of weeks in advance, as long as they have access to normal domestic refrigeration. Being cook-chilled or snap frozen, the client then simply has to take the meal out of the fridge, heat it up and enjoy, following the instructions that are printed on each meal container.

The unique features of the facility have brought it to the attention of the world. The Community Chef design has won international awards for innovation, and the '2zones2' model, with overhead refrigeration boxes, has been rated by the reputable French food services magazine, *Néo-Restaurantation*, as one of the five most important innovations in world-wide kitchen design, alongside the microwave, the ultrasonic washer, induction cooking and disposable packaging.



### 3.3 Environmental Sustainability

A low environmental footprint was a core design element of the project from the outset. The facility was designed to employ energy-efficient food production methods, reduce carbon emissions and minimise the use of packaging, waste and water consumption. In that process, it has three on-site water tanks to harvest and use rainwater, and uses a process of e-water that sends water only to where it is needed, thus reducing chemical waste and minimising overall water usage. The facility is smaller than other facilities of similar capacity, resulting in lower running costs and electricity savings. It also has low ceilings and large windows, therefore maximising the use of external and natural light. The design of the refrigerated boxes also means that refrigeration is minimised and costs are reduced.

Temperature control is very important in such a facility. For the staff, the ambient temperature is maintained at a constant 18°C in most areas, rather than the usual chilled environment of most commercial kitchens. Areas requiring cooler air are controlled by air curtains. Moreover, the temperature of the production cycle is fully automated, which optimises cooking times, heat distribution and the use of energy.

These features, which can be moderated to suit the conditions and operational use, were designed to ensure that the facility remains environmentally and economically relevant and sustainable. The process is also socially and environmentally responsible in other ways, which are described below in Section 5.





### 3.4 The Menu – Quality, Variety and Choice

As mentioned earlier, community expectations dictated that meals coming from a facility such as this needed to be appetising and nutritious, as well as serving a variety of dietary needs and satisfying culturally diverse palates. To achieve this, the menus and individual recipes have been developed and continue to be updated, through extensive engagement with end users. Initially, clients were given an opportunity to sample and comment on the meals. The criteria for assessment were based on portion sizes, taste and presentation. In addition, registered dietitians were engaged to analyse and offer input into the menu development process.

The result is an innovative and nutritious menu with extensive choice and variety. Currently, there are six menu options to choose from. These include Anglo-Australian, Mediterranean, Asian, Vegetarian, Roast or Salad. For those who like daily roasts, there are eight varieties on offer; for vegetarians, there are 20 options on offer; and for Asian dishes, there are 28 different options. Plus, all meals are seasonally rotated, so that warm hearty meals are served in winter, for instance. Special dietary needs (including diabetic, gluten free, low fat, texture modification and low sodium) are also catered for within the menu, whilst Halal and Kosher meals as well as sandwiches are sourced externally. Moreover, each full meal comes with a soup, a main dish and a dessert, all of which are snap frozen for easy access. Each meal portion also fulfils guidelines set by the government's Home and Community Care (HACC) program, and pasteurised for a 30 day shelf-life. This means that currently there is a total offering of 166 meal item choices, comprising of 216 different recipes.

One of the accredited practising dietitians from the Melbourne Diabetic Centre, Chloe Fast, said that the "menu is innovative, well presented and appropriate in serving size. The appearance and nutritional quality of meals are integral to the mental and physical wellbeing of clients." This is critical to the success of the organisation, with development informed by ongoing research and client engagement. All menu items are tested and validated by independent dietitians to ensure they meet appropriate food safety and nutritional standards. Of the summer menu, which she helped develop, Chloe Fast went on to say "[it] is exceptional, providing clients with a variety of lighter meal options as well as traditional hot meals, both of which are appealing to the client group."

The patron of Community Chef is renowned French expatriate and celebrity television chef, Gabriel Gaté. He has been involved in the project since its inception and has provided advice on meal choice and menus. Soon after the opening, he said, "I have tried the meals now being produced from the new kitchen and found them to be tasty, nutritious and very well balanced. The range of choice is amazing and they live up to the expectations I had when the recipes were first being discussed."

### 3.5 Branding and Positioning

With a new facility, an innovative design and a quality menu that reflects the needs of the community, Community Chef was determined to recast the negative images of Meals on Wheels. The branding needed to show older people – or others who were unable to cook for themselves – eating and enjoying nutritious and diverse meals, thereby gaining health and wellbeing benefits as a result. It is about serving the diverse community of the member councils and ensuring the meals are what people want to eat. As a result, Tasty Nutrition became the adopted tagline that now accompanies all the branding. The logo also reflects community needs, and encompasses the two C letters that spell Community Chef in the form of a plate, with a knife and fork to indicate a hearty meal.

The marketing and positioning of Community Chef therefore embodies the notion of a high quality dining experience that reflects customer contentment and satisfaction, and provides appetising meals. Recruiting Gabriel Gaté as patron was crucial to this process. A quote from him, which embodies the vision and raison d'être of the organisation, is printed on most marketing pamphlets, and reads as follows: "Community Chef is about providing good quality, nutritious meals to people who require assistance due to frailty or disability. As a food lover, I think there can be no greater way to demonstrate our care for those needing community support. The meals menu will provide diversity and be both healthy and culturally relevant. It is an incredible project."







## 4.0 GOVERNANCE: Legal and Financial Structure and Sustainability

## 4.1 The Community Chef Team

The Community Chef team is set up under an organisational structure with two divisions: An operations and quality division, and a business and development division, both of which report to the Chief Executive Officer who is responsible to the Board. The current team comprises 65 permanent part-time and casual staff. This includes two full-time food technologists, making Community Chef the first HACCP (Hazard Analysis Critical Control Point)-compliant Meals on Wheels facility in Victoria. Moreover, both operational and administrative staff are highly trained for their respective roles and receive ongoing training, based on a training plan, to upgrade their skills.

Part of the design of the facility involved an administrative area of offices and conference rooms, all of which have large viewing windows facing the production facility, and a viewing corridor that connects the two areas, so that there is a visual connection between administrative staff and production staff.

## 4.2 Governance and Structure

The founders of Community Chef gave careful consideration to the legal and governance structure. The structure therefore had to be developed to deliver the following outcomes:

- Confidence on the part of member councils that their investment, made on behalf of their ratepayers, was secure and protected;
- Separation of ownership of the assets and facilities of the Community Chef project from the operation of the commercial kitchen business (and the commercial risks implicit therein);
- A business-oriented structure to enable independent operation as an arms-length joint venture, separate from the political context of owner councils;
- Separation of the 'ownership' rights, obligations and relationships of member councils from their individual contractual relationships with the business for the procurement and supply of meals;
- Mechanisms for entry/exit of members, dealing with disputes and for ongoing engagement with a diverse range of member councils; and
- Ensuring that members retain ultimate control over the business entity and the assets embodied therein.

To achieve these aims, it was decided that a dual-entity governance structure was required for asset protection on behalf of members. The structure therefore is designed to ensure that the investment made by members in the assets (primarily the property and Community Chef Kitchen in Altona) is separated from the operations of the business itself, which would inevitably be exposed to the broader commercial influences and vagaries of the economy and marketplace. Under this structure, the members' investment in property and assets is effectively 'quarantined' and protected from any future failure of the business operation itself.

Both entities – RFK and Regional Kitchen – are proprietary (private) companies limited by shares incorporated under the Victorian Corporations Act 2000, and both companies within the structure are owned by the local government members. Under the constitutions of each company, only local governments can become members. Detailed processes are prescribed for the admission of new members to Community Chef entities, and for the exit of existing members.

The dual-entity corporate structure is illustrated in the following chart:

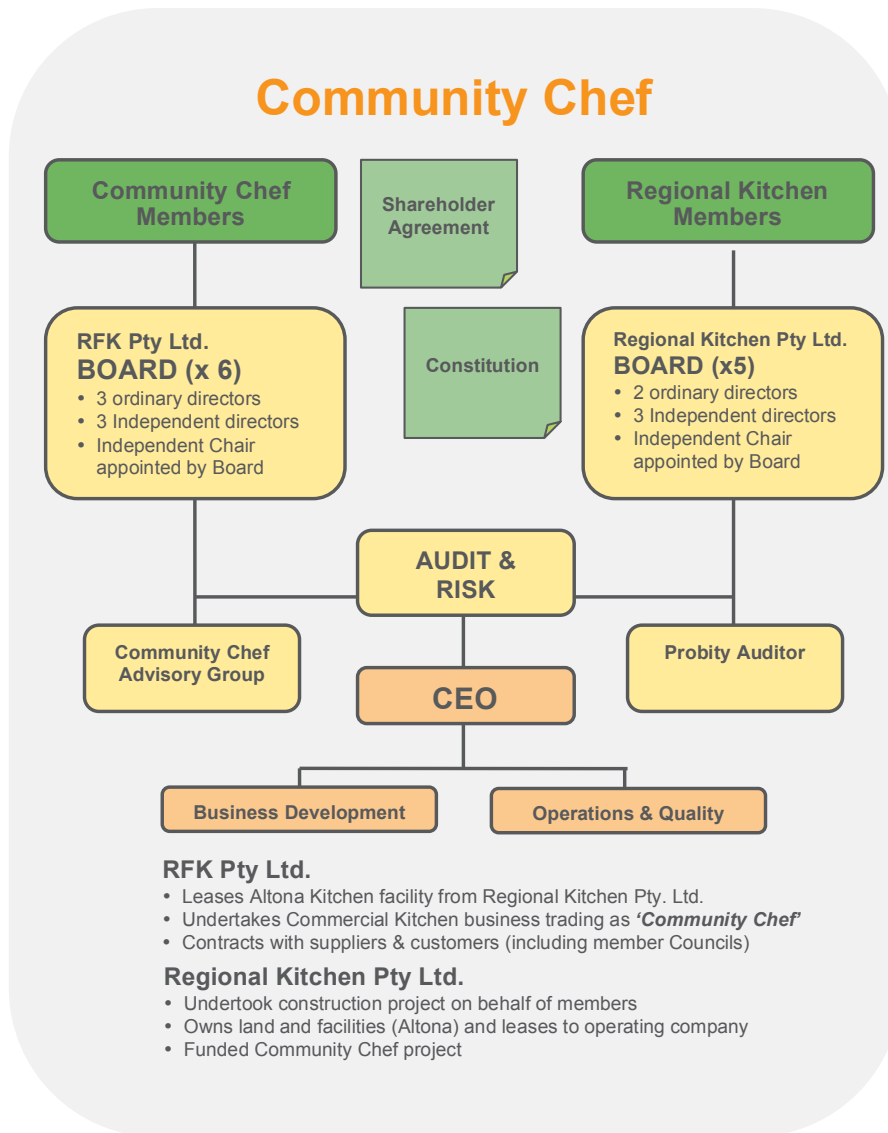


Diagram 3: Dual-entity corporate structure







### 4.3 Project Capital Funding

Even before the Board decided to accept the second concept that was presented to it, and to build a new state-of-the-art facility, it had already secured a Victorian Government grant of \$6 million for the project in June 2008. That is why the first concept was considered low risk, as most of the money had already been secured. To realise the vision of the second, innovative concept however, it was estimated that total funding required was in the vicinity of \$24 million. Therefore one of the major challenges was to raise the appropriate capital.

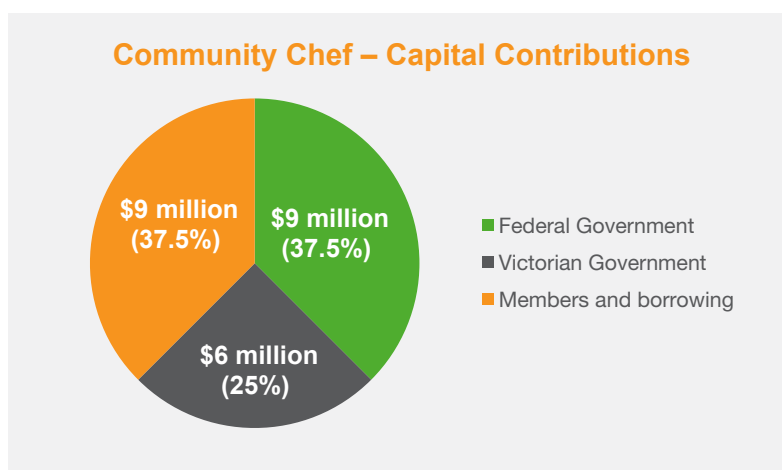
At about that time, the Federal Government was looking for community infrastructure projects under its stimulus program. The Community Chef model fitted all the criteria, and after the application process was approved, the Federal Government agreed to commit \$9 million to the project, though this still left a shortfall of a further \$9 million.

The remaining funds came from member equity contributions and borrowings. The Member Agreement is a key confidential document that was drawn up between the members at the time of incorporation. It followed an initial Memorandum of Understanding that was signed by intending members, paving the way forward for the project. It provided the basis for establishing and financing the enterprise at its foundation.

Equity in the asset ownership company (Regional Kitchen Pty. Ltd.) is based on the number of shares purchased by member councils (and the correlating cash investment made) at the time of its incorporation. The most common level of member equity in Regional Kitchen Pty. Ltd. is \$230,000, though one member has equity of \$300,000. The equity structure of Regional Kitchen Pty. Ltd. is legally separate and necessarily different from the equity structure of the 'sister' Community Chef operating company for which new council members were recruited following the foundation stage.

Equity in the operating company (RFK Pty. Ltd.) is tied to the number of meals purchased by each member council in any year. Under this structure (through a process defined in the Company Constitution), equity in the company is reassessed each year in retrospect and member equity is 'rebalanced'. This is achieved through an annual issue of shares by the Board to bring about an equity structure that is reflective of the relative number of meals purchased in the previous year by councils.

For all parties, it was a substantial financial and political commitment. The following graph shows a breakdown of the project funding sources:



*Diagram 4: Community Chef – Capital Contributions*

## 4.4 Control Issues

Implicit in the idea of resource sharing and collaboration by councils on a project like Community Chef is the issue of control. To become a partner in a council joint venture – irrespective of the chosen structure – inevitably means, to some extent, the ceding of direct control over the project outcome.

For local governments, as political organisations, retaining control and delivering outcomes for their own local community is a key and necessary consideration. Similarly, any decision that involves the ceding of direct control is a serious political consideration. To an extent, lack of direct control over the Community Chef project is the price paid by the member councils in the name of achieving a greater good through efficiency and delivery of a quality service outcome. In considering the question of control though, individual councils needed to break down the broader question into its component parts, so they knew what they did and did not have control over, and to what extent:

### Assets and Investment

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Individual councils needed to be able to retain ultimate control over the significant investment they were making on behalf of their ratepayers. To do this, the agreed structure delivers ultimate shared control (though not exclusive) to members through the mechanism of the general meetings of members.

### Operational Proceedings

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Though councils did not need to retain supervisory control of the operational proceedings through the preparation of commercial quantities of cook-chill meals, they did need to have confidence in the delivery of quality meals to agreed specification and cost efficiency. These outcomes are enabled through separate contracting arrangements between member councils and the Community Chef operating company.

To be convinced of the confidence in these operations, councils needed to be satisfied of three core efficiencies:

That the project would deliver a high quality service outcome;

- That the investment they were making on behalf of their ratepayers would deliver value for money and capital efficiency; and
- That as individual councils they would retain sufficient decision-making autonomy over their own service levels and meals policy, separately from the rights and entitlements of members. As members though, they would retain ultimate control over the legal entities that were incorporated to be Community Chef.

The dual-entity structure, as described above, came about largely as a result of these key considerations, for it allowed council members to retain a direct say in the affairs of the venture, yet it also provided a business-like structure that is sufficiently distant from the day-to-day politics and machinations of local government.

## 4.5 The Boards, Directors and Members’ Advisory Group

The dual-entity structure meant that there needed to be two overlapping Boards. The nature of the two Boards means that there are at least two directors who are directors of both the operating company and the asset ownership company. This ensures the independence and separation of each company, whilst maintaining the necessary seamlessness, consistency and congruity across the two entities and their mutual interests. The nature of the Boards also means that they need to be skills-based for each of the entities, as this is regarded as critical to the success of the governance model. The company constitutions also define the different classes of directors:

Independent directors – are recruited through a professionally managed recruitment process that is independently conducted by an external agency on behalf of each Board. This recruitment process is undertaken by applying a rigorous skills-based approach to ensure that Boards have directors with appropriate skills and expertise. Independent directors are appointed by the Board from time to time for three-year terms. They are appointed by the Board, but must be ratified by resolution of the members at the next subsequent Annual General Meeting.

Ordinary directors – are also appointed for three-year terms. They are recruited through a professionally conducted, arms-length nomination process from amongst the council members. This recruitment process is also undertaken applying a skills-based approach.

The RfK (the operating company) Board is made up of six directors, comprising three of each class of director. The Regional Kitchen (the asset ownership company) Board is made up of five directors, comprised of two ordinary and three independent directors. Once the directors are in place, each Board appoints an independent chair.

The Boards and the structure necessarily and legally provide a separation between the member councils and the business entities of Community Chef. However, in order to facilitate effective engagement with members, a structural process known as the Members’ Advisory Group was put in place. It is a key forum through which members are engaged in the business of Community Chef on an ongoing basis. The Advisory Group also provides strategic input and advice to the Boards, and provides a forum for members to have regular and meaningful input on future directions for Community Chef. The structure also includes an Operations Group which members can participate in with a more direct focus on day-to-day operational issues and challenges, and ensuring alignment of service delivery with end user needs.

The annual business planning cycle is divided into two main periods of engagement. The first half of the year is about member input and the drafting and adoption of a Business Plan, whilst the second half of the year is about implementation. The individual processes are depicted in the following illustration:

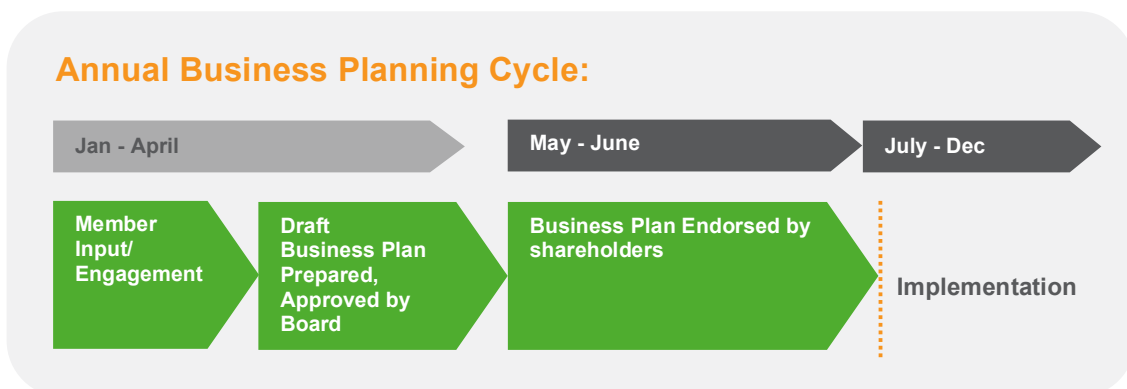


Diagram 5: Community Chef Annual Business Planning Cycle

The opportunity this structure affords members is to have ongoing input into defining the future directions for Community Chef. This a cornerstone of the business model's success, and it has thus far worked well because it allows and encourages members, directors, executives and other staff to work collaboratively. Having strong, skills-based Boards that are separated from the day-to-day of local politics in member councils is also an important and valuable asset.

## 4.6 Continuous Improvement

The Boards and Advisory Group provide advice and input, though they are deliberately at arms-length from the operations of the facility. As such, a process improvement team has been set up with staff representatives from both the operations and administrative divisions. The role of the team is to identify continuous business and operational improvement opportunities, and to monitor occupational health and safety issues in the production process. With support from management and the Boards, the team establishes specific projects and follows through on the implementation of solutions to issues that have been identified.

The process improvement team operates on the so-called 'Plan, Do, Study, Act' (PDSA) premise of continuous improvement. To date, some 25 projects have been established to address areas ranging from materials and product procurement, to automation, process and scheduling.

## 4.7 Financial Outcomes

It is the goal of Community Chef to be financially self-sustainable and to deliver a return on investment to its owners and investors in a number of different ways.

During the start-up phase there were steeper operating costs than expected, as well as deficits. In some cases, there were also teething problems with new technologies, but these have now been ironed out. They have now been fully funded by the resources of the business through member councils, and by savings made through the purchase of wholesale ingredients in bulk, for example.

The stated goal was to start generating financial surpluses within the first five years of operation. These surpluses will be available for application to the 'social dividend' and/or to deliver a financial dividend to member councils. Decisions relating to the appropriation of any surpluses will be matters that will need to be determined by future Boards. Such decisions must be made in the context of the prevailing economic and market conditions in which the businesses operate, and cash flow circumstances of each entity at the time.





## 5.0 THE SOCIAL DIVIDEND: Investment into the Future

## 5.1 A Social Enterprise

The social enterprise business model has become one of the growth movements of the early part of the 21<sup>st</sup> century. It has marked a new approach to the delivery of community outcomes through a business-like and enterprise-based approach.

Essentially, according to most definitions, the term refers to a revenue-generating business that also has a commitment to serve the community by achieving social, cultural or environmental outcomes. According to the Canadian Centre for Social Enterprise,<sup>1</sup> ‘many social enterprises look, feel and operate like traditional businesses,’ but the social mission ‘is at the centre, with income generation playing an important supporting role.’ Moreover, many social enterprises are concerned with the ‘involvement of the marginalised’ to ‘create capacity and self-sufficiency for individuals.’

Australian Social Enterprise Partnerships<sup>2</sup> says that though the term is relatively new, the phenomenon is not, because ‘we have always had social entrepreneurs, even if we did not call them that.’ What separates them is that their enterprises ‘combine the passion of a social mission with an image of a business-like discipline and innovation.’

The Community Chef project has been established under a structure that embodies broad social enterprise principles. It has a strong business structure, yet the core goal remains the health and wellbeing of older and needy people, which is achieved through an innovative model. As Hayden Raysmith AM, the founding CEO of Community Chef has said, “the social enterprise model of Community Chef embraces the efficiency benefits of a business structure but retains the focus on quality outcomes.”

The community goal reflects that of its owners for the venture is wholly owned by local governments, which are not-for-profit and community based entities, with community services as a clear goal. In this context, whilst the business plan of Community Chef aims to deliver financial surpluses, any surpluses are regarded by the Boards as primarily for reinvestment into the business, and for other community and food security-related initiatives with a social dividend.



1 Centre for Social Enterprise, Canada, <http://www.centreforsocialenterprise.com/what.html>

2 Social Enterprise Partnerships, Australia, [http://www.partnerships.org.au/library/the\\_meaning\\_of\\_social\\_entrepreneurship.htm](http://www.partnerships.org.au/library/the_meaning_of_social_entrepreneurship.htm)

## 5.2 The Social Dividend

The plans of Community Chef to reinvest any future surpluses are part of its social dividend and community responsibility. As such, the reinvestments are designed to:

- Further develop the enterprise and its facilities; and
- Research and develop initiatives relating to enterprise and to food security-related policy issues.

The social dividend however, is not solely financial. With a commitment to *servicing the community*, and with an environmental policy designed with sustainability in mind, in just its first two years Community Chef was already able to undertake a range of social initiatives that have and will continue to deliver social dividends to the wider community.

Though Community Chef endeavours as much as possible to prepare only the amount of meals that are necessary for delivery to its end users, invariably in the food production business there is always a surplus, whether in raw materials or in packaged meals. As such, since Community Chef first started, any excess has been provided free of charge to SecondBite and VicRelief Foodbank, now known as Foodbank Victoria. These are two Victorian organisations that either: collect food that would otherwise go to waste, or buy products cheaply and convert them into nutritious, healthy meals for people in need or those experiencing hardship, like homeless people as an example. The value of these donated surplus meals in the first four years of Community Chef is estimated at being in excess of \$550K.

Another way Community Chef contributes to delivering community outcomes is through the positive exercise of its significant procurement activities. Rather than procure only from commercial entities, Community Chef acquires a portion of its peeled and pre-cut carrots as well as brown onions from Karkana in the rural Victorian town of Horsham. Karkana is a Wimmera Uniting Care enterprise project that employs 32 intellectually disabled people and long-term unemployed. As a result of Community Chef's involvement, these people have stable long-term jobs in their community.

In terms of its own production staff, Community Chef from the outset has tried to employ people who might otherwise struggle to find work elsewhere. Many of the initial applicants were new migrants or refugees, the majority of whom did not speak English. Many of these applicants were hired on the basis that they learn English as part of their employment, and an onsite English language training program was set up. Since then, Community Chef has partnered with a number of community minded employment agencies such as AMES, Wise and the Salvation Army to specifically encourage new migrants and those from disadvantaged backgrounds to apply for positions, and to learn English along the way.

Other ways in which the social dividend may evolve in the future are still being explored by the Boards. Potential future directions include:

- Research into the nutritional needs of older people;
- Diet-related measures to reduce hospital admissions of older people;
- Methods to improve food security for disabled people;
- Wider initiatives, focussed on keeping people healthy and active in their communities;
- Opportunities to encourage other social enterprises and food security initiatives;
- Procurement of raw material and supplies from other socially-motivated organisations; and / or
- Ways to reduce the environmental 'footprint' of food production and delivery, and to reduce 'food miles'.



Future financial surpluses may also be applied to further subsidise the price of delivered meals to users, to ensure that an affordable supply is retained for the elderly. However, Community Chef is still in relative infancy as a commercial venture. On this basis, the Boards have determined that early surplus funds will be substantially reinvested into the business to secure the enterprise's long-term viability.

As Joe Ciccarone, the current CEO of Community Chef has said, "investors have an expectation that they'll get a dividend when the company becomes profitable. It's certainly part of our strategy to deliver dividends to our shareholders." But at the same time, he also reiterated that "people understand that a portion of our profits will be ploughed back into social projects... It's a non-negotiable." Even the core business of Community Chef – that of providing nutritious meals to the elderly – is a social dividend, and one that will nurture future positive outcomes for the community.







## 6.0 THE JOURNEY SO FAR: Lessons Learnt and Looking Ahead

## 6.1 Learning from the Journey

Community Chef, and how it came about, presents a model and platform from which a range of other initiatives can be launched. From the outset it has been regarded as an innovative means of responding to a community challenge. It is only in its infancy as a functioning business, but there are many lessons that can be learnt from the journey so far and the many innovative solutions that have evolved along the way. This section explores those lessons, which are key to the purpose of this Case Study, and presents an opportunity for the model to be adapted and applied in other service delivery settings.

### ***A Joint Venture requires Engagement and Patience***

Joint ventures of any type or scale inevitably embody the idea and necessity of negotiation and compromise to some degree. When a broad vision has been articulated, it can readily be agreed to in general terms by stakeholders, but once the details start being discussed and assessed, then negotiation is critical.

The more project partners and stakeholders become involved, the more complex and multi-dimensional, as well as time consuming and wearisome that negotiation process becomes. With an enterprise venture involving 20 or more local governments, and funding that came from three tiers of government, the challenges for Community Chef were considerable.

Significant engagement with all stakeholders, as well as patience and time are required to navigate the issues, so that facts and outcomes don't get side-tracked by politics, local parochialism and power. These are factors that are usually active in the periphery with joint venture projects, and are potentially damaging, so it is important to be alert to them, and identify and deal with them.

### ***Good Governance Lays the Foundation***

One of the ways to deal with potentially explosive situations is to have a robust and project-appropriate governance structure. This needs to be established at a very early stage, and is the foundation for the enterprise's long-term success. This is true for government-owned enterprises, or any other joint ventures, whatever their purpose.

The governance structure needs to deliver transparency on the part of owners, funders and stakeholders and confidence that their interests, needs and rights have been met. It also needs to be legally compliant. In the case of Community Chef, the structure also needed to include a number of other factors, such as:

- A legal entity reflective of the scale, goals and operational components, as well as the requirements of the venture and the owners and stakeholders therein (i.e. proprietary, company limited by guarantee, incorporated association, cooperative, etc.);
- An appropriate degree of separation between the business enterprise and the owners of the business. This was necessary to ensure that business decisions can be taken in a way that is 'arms-length' from the complex and diverse political processes of member councils;
- A separation between the ownership of the assets and facilities, and the ownership of the business and trading entity, and the goodwill embodied therein. This is necessary to protect the investment of the owners;
- Secure and proportionate equity for the financial and capital contributions made by project partners;
- An appropriate balance of owner-nominated and independent directors on the Boards, with Board-appointed independent Chairs;
- An independent and professionally conducted recruitment process for directors, based on skills to meet the governance needs of the business;

- Other governance features consistent with broad principles of corporate governance, including separate committees for overview of audit, risk and remuneration;
- A robust business-oriented organisational structure and accompanying cyclic business planning processes;
- Clear and legal separation of ownership-related issues, rights and responsibilities from contractual and customer-related issues like procurement, to fully accountable and documented processes in place for dealing with issues relating to each aspect;
- Formal structures for ongoing member engagement and consultation regarding the conduct and future development and direction of the enterprise; and
- A proactive approach to succession planning and regeneration at Board level.

For Community Chef in particular, one of the critical aspects was the clear and legal separation of the ownership relationship from any contracting relationship of members. As Bill Jaboor, Community Chef Board member and Brimbank City Council CEO said, “to work, the governance structure needed to clearly separate the rights, responsibilities and expectations of councils as members of the venture from their rights, responsibilities and expectations as customers and users.”

For any venture of this nature, there needs to be a solid business-like governance model, with clear separation and demarcation lines, as well as role definitions. Depending on the enterprise and the scale of the investment, a separation between the ownership of the assets and facilities and the business and trading enterprise is a useful means of achieving success.





## ***Business Discipline and Principles***

The guiding principle behind the governance structure was determined by the goals and vision of the venture. A purely for-profit commercial venture may have a different set up to a communal not-for-profit social venture. From the outset, the founding members were steadfast in the belief that a business-like structure like Community Chef should be able to generate some level of financial self-sustainability, whether initially or after some period of operation.

For a communal not-for-profit venture, how it reinvests any profits or contributes to the social needs of the community should be implicit within the business structure, as is the case with Community Chef. From the beginning it was designed to service the community, and even in its first four years it has already achieved that.

### **Reframing Community and Social Challenges**

The social service to the community is at the core of Community Chef's operations. Though it operates like a business and is intended to achieve financial sustainability, it has been set up to do this with a social dividend for the community in mind. As Hayden Raysmith AM, the founding CEO has said, Community Chef is "a social enterprise that has an overriding social purpose and operates on business principles." And all this came about because a number of local governments identified a problem that they could not solve individually, until they all came together to look at the challenge collaboratively.

Governments at all levels and other organisations are often confronted with problems that initially at least seem insurmountable. Many of these involve issues that are of relevance to the community. Reframing these challenges as community-based social enterprise opportunities opens up the capacity to do things differently, and to make a real social difference whilst also generating commercial success. With strong business discipline and community oriented goals, the potential for this model is far greater than the production of meals for the community.

## ***The Power of Vision and Leadership***

The idea that became Community Chef started as a problem. A sector of the community required the regular supply of nutritious meals. To be able to provide these with variety and in accordance with food and health standards in commercial quantities seemed like a challenge that was beyond the scope of even a small collaboration of local governments. To succeed, the project required strong vision and leadership.

The people who were initially involved – Councillors, local government managers, professional staff – all had a deeply held belief in the merit and value of what was being done and proposed. Their commitment was not manufactured or contrived and they believed unconditionally and unapologetically in the project. They were also prepared to put in the hard work to make their vision become a reality. One of those visionaries was Hayden Raysmith AM, the founding CEO, who has said that "it was clear to us all from the outset there would be no second chances with this project. Once we said we'd deliver a genuine, quality dining experience, people would quite rightly expect and demand exactly that. We had to deliver."

Joint-venture, socially committed projects, more than most commercial businesses, require a solid and clearly articulated vision, along with strong and unified leadership, good ideas, advocacy and commitment. The idea may be a good one, but it still needs to be sold to the community, the government, the funders and any other stakeholders that might need to be involved in its development.



### ***Get the Right People Involved***

From the outset, the Community Chef project identified the need for a range of people to be involved. These included people with hands-on technical design, operational, food production, service delivery, community services, business, financial and legal skills and knowhow. Some needed to be more senior than others, some only provided advice, some were recruited initially, and others came on board as and when required, but all were needed to make the project a success. As Hayden Raysmith AM, the founding CEO has said, “in active caring communities good ideas often emerge around someone’s kitchen table. Clever people take that idea, build on it and make it happen.”

Apart from external stakeholders, it became clear early on that in order to genuinely make the project a success, it needed to have ownership and leadership from the Chief Executive level within member councils. The council CEOs and other senior managers needed to apply considerable leadership skills to be able to confidently navigate the sometimes perilous local government political channels and sensitivities. They were able to advocate on behalf of their councils and were largely responsible for the design of the governance structure of the organisation. From within their networks, they were also able to provide many of the other stakeholders that were necessary for the project, and thereby also kept some further level of local ownership. All of this resulted in a project that brought in the right people when required, and in a structure owned by the member councils.

### ***Don’t Over Compromise***

Working with such a large team of stakeholders and owners meant that compromise was at times inevitable. What was important however was that this compromise did not undervalue the original goals and principles that drove the foundation of the concept. Trail-blazing projects in particular need to focus on the quality outcomes that the project was envisioned to deliver for the community, and to resist pressures for too much compromise. If that does happen, then resignation and acceptance of less than ideal outcomes can result, colouring the energy and enthusiasm of project drivers. If politics, circumstances or budgetary constraints start to significantly affect deliberations, then it is important to refer back to the reasons and vision for the project, and the communal dividends that are intended to be achieved. This should drive the decisions so as not to over compromise.

### ***Be Honest, Celebrate Wins and Learn from Mistakes***

With any joint venture, some things will go right and others will invariably go wrong. What is important, particularly for an innovative start-up enterprise, is to celebrate wins and to learn from mistakes. Success breeds success and is often infectious. It can be used to build strength and refocus the project’s goals. Similarly, mistakes can be constructive if used for learning, and often the greatest learning comes from mistakes, as they can showcase where things need improvement.

In a speech to Council members in late 2010, Hayden Raysmith AM, founding CEO of Community Chef, both acknowledged a multitude of mistakes and problems that the team was able to overcome, and praised those that were able to solve them:

*If there were 500 things that could go wrong, every one of them did, some of them more than once and some at the same time. The boilers failed, the generator and back-up generator went down within minutes of each other, the cleaners used high pressure hoses on the computers regulating production and pasteurisation, the can opener created metal filings that lead to a whole production run being thrown out, the water main burst, the insects invaded, the cooling system went down and the labelling machine refused to print... To this day, we have never failed to fulfil an order – that is all credit to the dedication and hard work of the Community Chef team.*

Honesty, transparency and being able to critically evaluate all aspects of the operation have been critical to the success of the operation. These elements have also built member patience and trust, and as a result, everyone – from staff to the Board level – has learnt from the challenges that have been presented, and has been able to grow from them.



### ***Replication of the Model***

Once Community Chef became a reality, it became clear that, although this was a project focussed on meal production, the model was one that has broader appeal and could be replicated. As Hayden Raysmith AM, founding CEO has said, “what I would hope is that managers in local government would look at the services that they deliver and simply ask the question: Is there a model like Community Chef that might increase quality of service, enable it to run more efficiently as a business and might be shared across municipalities in a way that would enable us to do things that we can’t just do on our own?”

Bill Jaboor, Community Chef Board member, has also reiterated the point by saying, it “is a project that is a great example of local governments and communities working together to do things better. Let’s see how else this fantastic model can be applied to improve service outcomes for the community in other areas and ways.”

Some of the ways in which the service model can be adapted and applied include:

- Projects where there is a local service need or gap that is broadly shared across a range of different local governments and areas;
- Projects where the need is for a service or product that is quantifiable and capable of being delivered through contracted service delivery arrangements;
- Projects where quality and cost efficiency are paramount considerations for councils;
- Services for which the optimal production scale is larger than for most individual local government authorities or partners;
- Projects where delivery of the optimal service quality outcome requires a significant level of capital investment that is beyond the resource capacity of individual councils or partners;
- Services where there is a clearly definable revenue stream and operating cost structure; and
- Services where the outcome desired could be regarded as substantially politically neutral, where the standard or level of service does not get caught up in wider philosophical and political debates.

## 6.2 Looking Ahead

Scale was a key determinant in making the Community Chef proposition viable. Despite the fact that it today produces meals for over one third of metropolitan Melbourne's elderly population across 23 councils, it is still capable of more than doubling its current production capacity.

Core elements of the Board's strategy into the future include:

- Underpinning the long-term financial sustainability of the businesses;
- Making sure both companies generate a surplus and are profitable; and
- Reinvesting surpluses into social dividend programs, facilities, business, research, innovation and product development, and the payment of dividends to local government members, for reinvestment into other community initiatives.



# Conclusion

This case study was prepared in order to showcase and share learnings regarding a successful ground-breaking local government service model that came about as a result of a shared need and a shared vision, and to inspire the local government sector to consider and explore innovative collaborative solutions to the complex challenges they face. The Community Chef model can be adapted and applied in any number of service areas and functions, both within local government and beyond, such as aged care, child care, housing, and youth services.

Community Chef came about as a result of an identified local problem, became a reality because an innovative solution was found, and became a success because the participating councils worked together to drive the project and bring it to fruition, with the passion and dedicated long-term commitment necessary to overcome the obstacles encountered along the way. Throughout the process they never forgot their mission, which was to offer a variety of nutritious meal options to their clients in the community, and to do so in an environmentally and socially conscious way that provides a social dividend for continuous improvement and investment into the future. In addition, levels of efficiency, quality and productivity are unsurpassed. In the relatively short time since its inception, Community Chef has already evolved to provide a third of all Meals on Wheels in Victoria and has the capacity to double its output.

As an outstanding example of best practice, Community Chef is one of the many good news stories about exemplary work being done in the local government sector that often goes unheralded and unpublicised. LGMA and ACELG are pleased to have the opportunity to highlight this ground-breaking local government collaboration, and look forward to seeing it grow from strength to strength.







# APPENDIX: List of Community Chef Member Councils

## **Community Chef**

43-47 Drake Boulevard  
Altona, Victoria 3018  
(PO Box 172, Altona North, Victoria 3025)  
Ph: 03-9368 5900  
[www.communitychef.com.au](http://www.communitychef.com.au)

## **Member Councils**

City of Banyule  
City of Bayside  
City of Greater Bendigo  
City of Boroondara  
City of Brimbank  
City of Casey  
Colac-Otway Shire  
City of Darebin  
City of Greater Dandenong  
City of Greater Geelong  
City of Hobsons Bay  
City of Hume  
Shire of Macedon Ranges  
City of Manningham  
City of Maribyrnong  
City of Melton  
City of Moonee Valley  
City of Moreland  
City of Port Phillip  
City of Stonnington  
Shire of Strathbogie  
Shire of Surfcoast  
City of Yarra



The Community Chef project was co-funded by member councils, together with State and Federal Governments.

