

Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Cllr Charles Gerrish, Cabinet Member for Resources Cllr Paul May, Cabinet Member for Children and Young People	
MEETING/ DECISION DATE:		EXECUTIVE FORWARD PLAN REFERENCE:
		E 3046
TITLE:	Provision of catering services for schools	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 DRAFT – Schools Meals Communications Q&A (within report)		

1 THE ISSUE

- 1.1 The Council has for many years been the main provider of meals to schools but schools are now deciding to procure this service elsewhere. As schools convert to academies there is often a change in their purchasing decisions and alternative suppliers are being chosen to deliver meals to schools and Multi Academy Trusts (MATs)
- 1.2 Currently there are 55% of schools who converted to academies and by September 2018 it is anticipated 76% of local schools will have become academies. The schools governing bodies make the choice of conversion and request the Regional Schools Commissioner (RSC) for permission to convert. The RSC can also instruct a school to convert to an academy if certain performance issues are identified. The Local Authority does not have decision making powers in this process.
- 1.3 The reduction in the Council's economies of scale are making the service less economic and price increases have been made in prior years with further price rises becoming inevitable. Schools have been made aware of this and helped to assess the market and make their own decisions.
- 1.4 The price rises needed to overcome the dis-economies being observed will make the service unviable and consideration of ceasing to provide the service is required. The Council now needs to support the remaining schools in the area to complete their procurement of this service from elsewhere.

- 1.5 The decision required is about the Council's role as a provider of a catering service and needs to reflect the impact of academisation, previous decisions by schools together with the economics affecting the service. The decisions about the meals themselves rest with the schools and it is not intended that there need be any direct impact on children that receive school meals.

2 RECOMMENDATION

The Cabinet Member is asked to;

- 2.1 Agree that as it is estimated that only a few of the 81 schools in the area will now use this service from 1st September 2018, and as the economics of this service now make it unviable in its present form, the Council role as a direct provider of school meals will cease operation on 31st August 2018, in line with the operational plan of the council.
- 2.2 Schools that still use the service will be advised of the changes and supported to find alternative suppliers

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The catering services financial plan shows the increasing costs being borne by the service along with a diminishing client base. The need for schools to make their own decisions has not been resisted, and in fact they have been assisted with procurement issues. The Council is only one of many providers and given the availability of choice this is not a core service, but rather it's a traded service in a challenging market.
- 3.2 The table below (5.10) shows the total income of the service for the past few years and the estimated income for the 2018-19 year. This demonstrates the reducing income and expenditure for the service over the past few years
- 3.3 In order to ensure that the Council does not make significant losses, and to avoid an unsustainable trading position with significant price rises well above market level, schools will need to be required to make alternative arrangements from a specified date. For most this is a choice they are already making but for a few it involves a timetable for change being agreed.
- 3.4 The Schools that are still supplied by the catering service pay £2.60 for each pupil meal ordered. Schools that have made alternative arrangements in their provision over the past few months have achieved savings of between 30p and 60p per meal depending on the specification used in the tender, and the circumstances of the facilities available in the school.
- 3.5 The volatility of the service over the past few years has been substantial. This has increased the risk being borne by the Council and has resulted in temporary losses. The Council also increasingly has less capacity in key support services to manage the demands that arise.
- 3.6 As schools change supplier the employees directly involved in the delivery of meals to the schools will TUPE transfer their employment to the new supplier. Once all schools have changed supplier there will be some individuals who will not transfer to alternative employers as their work

patterns are such that TUPE would not apply. These individuals will be redeployed into alternative employment or made redundant. It is anticipated that the redundancy costs would be about £150k and would be charged to the council's severance reserve.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The responsibility for the provision of meals in schools lies with the governing body of each school.
- 4.2 The Council has supported the schools in delivering this responsibility, by selling a service to schools.
- 4.3 As some schools have actively looked for alternative suppliers the economies of scale that existed have diminished considerably and the council cannot formally subsidise the service. Any subsidy for schools using a council run service could be seen as anti-competitive by alternative suppliers

5 THE REPORT

- 5.1 Until 2015-16 the catering service supplied meals to 99% of primary schools within B&NES along with a number of cross border schools and private nurseries.
- 5.2 In September 2014 the government introduced the Universal Infant Free School Meals programme. The programme made meals free for all pupils in reception, year 1 and 2 of their school life. The DFE introduced a grant to support the additional costs incurred and allocated £2.30 per pupil per day for this purpose. This policy resulted in a dramatic increase in the numbers of meals being provided and the catering service had to gear up fast to ensure delivery of the policy. The catering service has been commended for its approach to ensuring quality and high food standards

Over the last few years the costs of providing the service have escalated significantly due to rising food costs and increasing minimum wage implications. The service made a loss of £527k in 2016-17 and had to increase the cost of provision to schools from September 2017 from £2.40 to £2.60 per meal. Despite the price increase and with increasing labour and food costs plus fixed overheads and declining numbers, the service anticipates costs exceeding income by £100k again this year. This was mainly anticipated and so further price rises were envisaged but would only represents a short term solution. The service needs to plan to at least break even.

5.3 Schools converting to academies

- 5.4 The number of schools converting to academy status has increased in recent months with a large group of primary schools planning to convert during March and April. The numbers of schools in maintained or academy sectors anticipated for September 2018 is as follows:-

If all schools convert to planned timescale, numbers in September 18

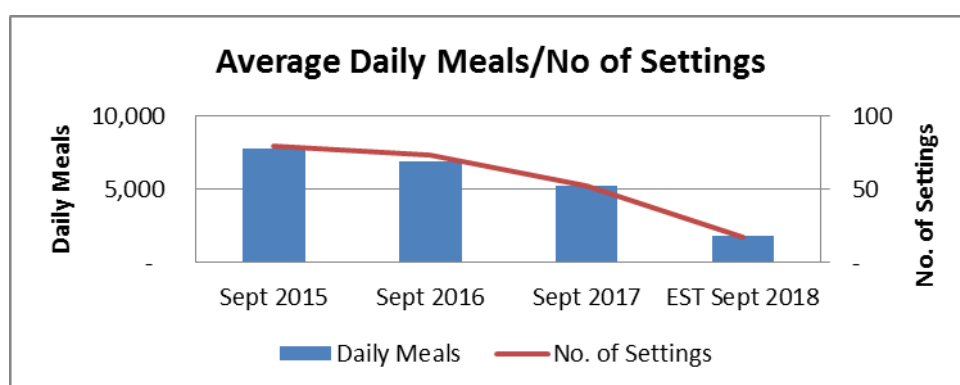
Schools	maintained		academy		total
Primary	14	23%	48	77%	62
Secondary	2	15%	11	85%	13
Special	0	0%	3	100%	3
Studio	0	0%	3	100%	3
	16	20%	65	80%	81

5.5 When schools join a Multi Academy Trust there is generally a review of processes and plans by that trust that often results in changing purchasing practices within schools. The group moving to the Diocese of Bath and Wells MAT in March and April have indicated that they intend to look for alternative suppliers of the catering function.

5.6 Additionally, the Midsomer Norton Partnership Trust has already looked to tender its catering service to a private company with a view to changing their provider in April 2018.

5.7 Schools Meals buy in from Schools

5.8 Over the past few years the use of the catering service by schools has changed the tables below show the changing nature of the service as schools make decisions on the supply of meals.



5.9 We had to increase the price of school meals from 1 September 2017 due to the ongoing cost increases being borne by the service such as food cost inflation and pay pressures to ensure a forecast balanced budget position for 2017-18. Notice has also been given that further price increase may be needed in Sept 2018.

- 5.10 Since the price increase 29 schools and settings have given notice that they intend to cease to use the Council as their provider, representing a 32% reduction in meals previously being produced. The change in provision over the current year and the prediction of 2018-19 is shown in the table below

Date	Settings	Meals provided per day	Cum. %age reduction	Price per meal	Income
Sept 2015	79	7,808	0%	£ 2.40	£3.56m
Sept 2016	73	6,900	12%	£ 2.40	£3.15m
Sept 2017	52	5,235	33%	£ 2.60	£2.59m
EST Sept 2018 *	17	1,784	77%	£ 2.80	£0.95m

Sept 2018 Income is for comparison only as no price increase has been agreed.

- 5.11 The service overheads currently equate to 32p per meal (in April 17 this was 23p) if modelling as planned the overheads would be 56p per meal in April 2018, unless restructuring can reduce the costs.
- 5.12 Equally relevant is the impact of schools becoming academies. In total up to 80% of local schools expected to have become academies by September 2018. Academy Trusts have indicated their desire to actively look to retender their provision for the schools under their control. Two trusts accounting for 17 primary schools have formally indicated their intention to retender before June 2018. These decisions have been included in the tables above.
- 5.13 These changes require the LA to fundamentally review its role as a provider and to look at alternative ways to enable schools to secure a service that can continue to meet agreed quality standards. There needs to be a change from the Council simply supporting schools, to requiring a change so that by a certain date schools either: buy from elsewhere, take on the kitchens themselves, work with Multi Academy Trusts or make other suitable alternative arrangements.

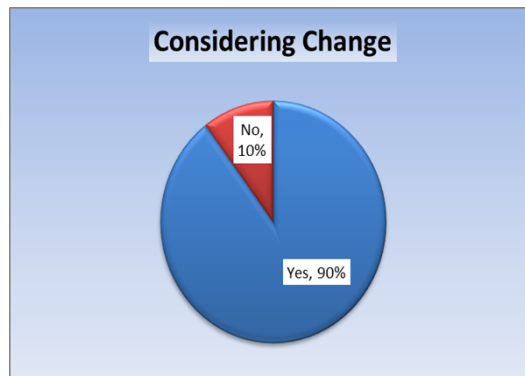
5.14 Councils Operational Plan

- 5.15 The Council's recently published Operational Plan records outlines the approach to support services for schools
- "Services for schools including payroll, ICT, finance, cleaning and catering have been reviewed in the light of schools becoming academies and others often choosing to buy their support elsewhere. Schools will be supported to procure value for money services and the Council will reduce or withdraw its provider role accordingly."
- 5.16 The operational plan suggests that these reviews will be completed in the autumn of 2018 and the plan is approved as part of the 2018-19 budget.

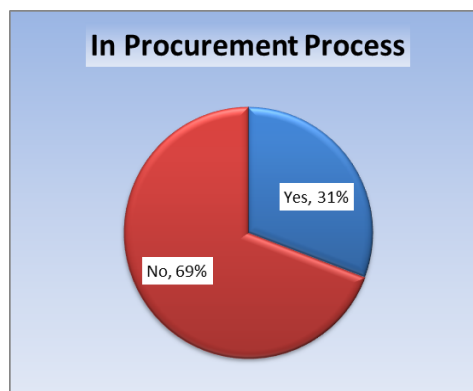
5.17 Results of recent questionnaire to schools

In January Catering Services wrote to all schools asking about their future plans. The response rate was very high at 78%, so this can be taken as a good indication for all schools.

1. We have considered changing our catering arrangements



2 We are currently in the procurement process



Of the schools that indicated that they were in a procurement process, the majority of these said that they were looking to implement new arrangements from September 2018.

5.18 As part of our preparation for the changes to service delivery that may occur, a draft communications plan has been established (appendix 1)

6 RATIONALE

6.1 It is apparent that the financial pressures being observed by the service cannot be allowed to continue.

7 OTHER OPTIONS CONSIDERED

7.1 The option of outsourcing the service had been considered but rejected as it contradicts with schools led approach.

7.2 Continued delivery with a plan to find alternative clients to ensure economies of scale was rejected as the need to supply to a relatively local market would require clients in reasonably small distance. This was actively tried in prior

years and additional clients had been obtained from cross boarder activity. However, those schools have also all found alternative suppliers.

8 CONSULTATION

- 8.1 The council's operational plan has been consulted on widely, and sets out clearly the proposals to reduce or withdraw from service delivery where business reviews show schools making decisions to buy service from alternative suppliers.
- 8.2 Communication has been provided to schools to explain the need to increase the price of school meals from September 2017.
- 8.3 Further consultation has taken place about the need for future changes as outlined in the survey results set out here.
- 8.4 Staff consultation on the future of the catering service will run in parallel with consultation with schools. Staff are already aware of the need for change.
- 8.5 Head teachers are generally aware of the LA's plan to assess all services. Following guidance from Cabinet it is intended to continue with general consultation with Head Teachers, Chairs of Governors and Trustees of MATs to explain the likely changes that may occur for catering services.
- 8.6 School Meals Catering ran a well-attended event in November 2017 to explain the procurement issues of catering and the specific legal requirements that schools will need to ensure their new suppliers adhere to should a school decide to utilise a different provider.
- 8.7 A toolkit has been prepared for schools to support them in procuring catering services. The toolkit emphasises the benefits of good catering facilities to schools and pupils. It also promotes the Public Health agenda of hot meals for pupils and healthy living

9 RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 9.2 Some schools will be reluctant or find it difficult to source a new supplier. The LA will support these schools through the provision of a toolkit and 1:1 support to find suitable alternative suppliers

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Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1

DRAFT – Schools Meals Communications Q&A

Following a period of significant changes to the catering service in B&NES, the council has agreed that from September 2018 schools in B&NES will no longer be provided with a catering service from the council.

School Governors will need to decide whether they take the service in house, share a service with other schools or look to the market to find alternative providers. The responsibility of providing school meals lies with the governing body of each school and as the Council cannot subsidise a service to schools, the delivery of meals from the council becomes uneconomic.

Q Why is the council doing this at a time when school budgets are over stretched?

A The Council understand the pressures head teachers face, However this is an opportunity for schools to find an alternative supplier which is likely to be significantly cheaper than the council service.

Q Parents fear that standards will slip as schools seek to provide meals more cheaply?

A Many academies now buy their food from other suppliers and there is no evidence that standards have slipped. The Council will assist any school that wishes to go elsewhere to get the best possible deal and put them in touch with suppliers successfully providing food to academies

Q. Does this conflict with the council's public health campaigns to improve eating and reduce obesity?

A For schools that decide to source their catering elsewhere, the Council will work with them to ensure that good quality food is provided by reputable suppliers. The Government also sets the food and nutrition standards that must be met.

Q Will the schools put up prices?

A that is a matter for the Head teachers and the Governors of the schools, but schools do recognise that currently school meals provide fantastic value for money

Q Will staff be made redundant?

A Schools will need to continue to provide meals and therefore will need onsite staff to serve their pupils. Therefore the Council does not anticipate any frontline staff will be made redundant although some may transfer to a new employer if school Governors decide to transfer catering elsewhere

Q How will this impact on local suppliers?

A Local suppliers are aware of the pressures on the Council and the schools and the move of many academies to buy school meals directly. They are aware that this may create additional opportunities to extend their contracts directly with schools as the amount purchased from the council diminishes

Q Why has the council not done more to retain schools and their economies of scale?

A Academies have the ability to buy directly and have formed their own buying groups. The Council's key aim is to encourage all schools to continue to provide good quality meals and it has worked directly with schools. This certainly seems to be the case with academies that provide high quality food.