

Informal Cabinet Report Front Sheet

Report Title	School Catering Services
Strategic Director	Andrew Pate
Divisional Director	
Responsible Officer	Richard Morgan
Portfolio Holder	Cllr Charles Gerrish

Cross-Portfolio Issue?	Yes	<input type="checkbox"/>
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Is this item confidential?	Yes	<input type="checkbox"/>
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Summarise purpose of the report (maximum of 200 words):

To Update the Cabinet about the changing nature of the catering functions of the Local Authority, and for the cabinet to provide a steer with regard to future communications and service plans.

Summary in bullet points – key issues on which a view is required:

- Cabinet is requested to review the changes to service provision that has occurred due to schools changing purchasing decisions and provide a steer to officers with regard the future viability of the service.
- In light of the financial viability of the catering service consider issuing schools with a notice of cessation and to create an active plan of supporting schools to find alternative suppliers.
- This report links with the further report on the agenda relating to community meals.

Agreed by Informal Cabinet (to be completed at or after the meeting)

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Cllr Charles Gerrish, Cabinet Member for Resources	
MEETING/ DECISION DATE:		EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Provision of catering services for schools	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		

1 THE ISSUE

- 1.1 By September 2018 it is anticipated 80% of local schools will have become academies. 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 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 will become inevitable. Schools have been made aware of this and helped to assess the market and make their own decisions.
- 1.3 The price rises needed to overcome the dis-economies being observed now which make the service unviable and consideration of ceasing to provide the service is required. The Council now needs to support the 17 remaining schools of the 81 total number of schools in the area to complete their procurement of this service from elsewhere.
- 1.4 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 17 schools of the total 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 1st September 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. Inevitably, this creates a shortfall in the in the finances of the service.
- 3.2 The table below shows the financial position of the service for the past few years and the estimated budget position for the 2018-19 year.
- 3.3 In order to ensure that limited pressures are borne by the council, schools will be required to make alternative arrangements from a specified date
- 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 extreme as schools have moved to find alternative suppliers. This has increased the risk being borne by the council and has resulted in losses on the service. In 2016-17 the overall loss was £527k and it is anticipated that the loss in 2017-18 will be approximately £300k despite significant mitigating actions to limit costs and overheads.

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
- 5.3 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 due to declining numbers the service anticipates costs exceeding income by £300k again this year. Schools understandably have actively then considered their options and many have looked for alternative suppliers

5.4 Schools converting to academies

- 5.5 The number of schools converting to academy 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:-

- 5.6 If all schools convert to planned timescale numbers on Sept 18

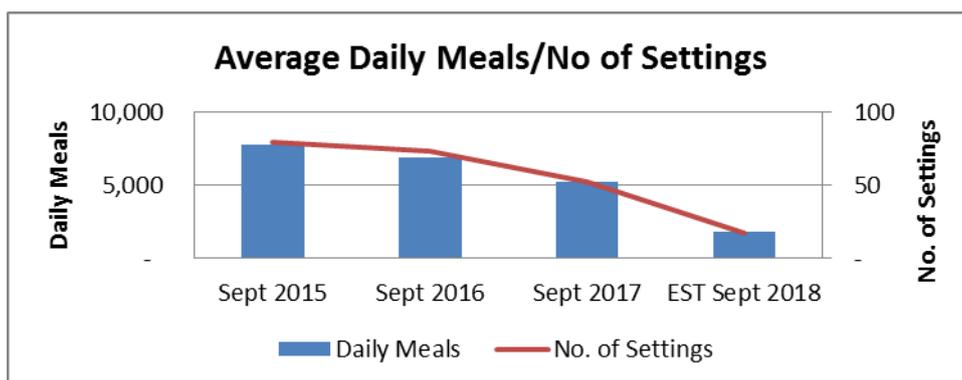
Schools	maintained		academy		total
Primary	14	23%	48	77%	62
Secondary	2	15%	11	85%	13
Special	0	0%	3	100%	3
Studio	0	0%	3	100%	3
	16	20%	65	80%	81

- 5.7 When school 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.

5.8 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.

5.9 Schools Meals buy in from Schools

5.10 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.



5.11 We had to increase the price of school meals from 1 Sept 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.

5.12 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

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

5.13 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.

5.14 Equally relevant is the impact of schools becoming academies. In total up to 80% of local schools expected to have become academies by Sept 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.

5.15 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. Options that will need considered including: enabling schools to buy from elsewhere, schools taking on the kitchens themselves, the role of Multi Academy Trusts, and ways to achieve efficiencies to support the necessary changes.

5.16 Councils Operational Plan

5.17 The councils recently published operational plan records the planned changes that have been agreed with services. A Schools support services and trading services review has been agreed that will

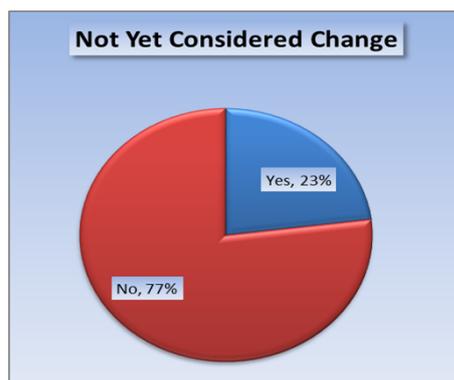
“Services for schools including payroll, ICT, finance, cleaning and catering have been reviewed in the light of schools becoming academies and others often choosing to buy their support elsewhere. Schools will be supported to procure value for money services and the Council will reduce or withdraw its provider role accordingly.”

5.18 The operational plan suggests that these reviews will be completed in the autumn of 2018

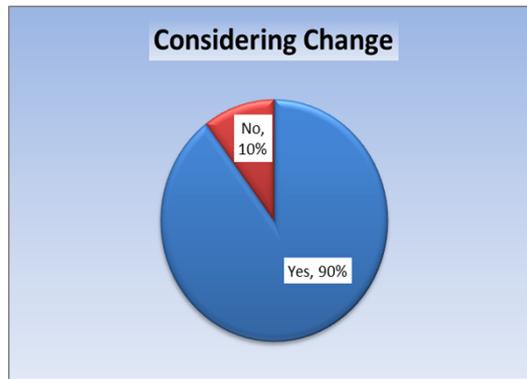
5.19 Results of recent questionnaire to schools

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.

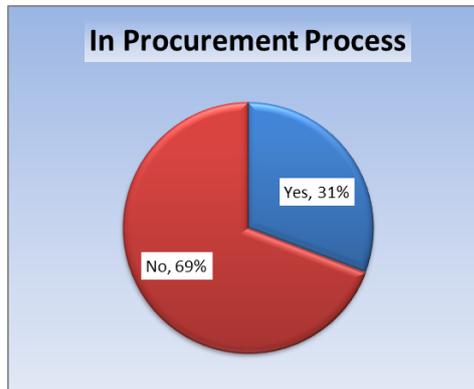
1. We have not yet considered how to delivery school meals in the future.



2. We have considered changing our catering arrangements

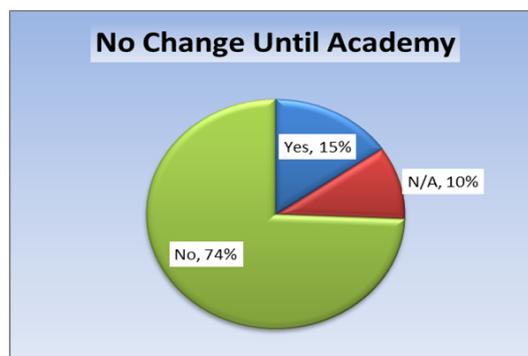


3 We are currently in the procurement process



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

4 We do not anticipate considering the future provision of school meals until we have become an Academy



5.20 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 as the efficiencies that could be made would not remove the need for significant price rises to ensure no council subsidy would be required to allow a service to continue.

7 OTHER OPTIONS CONSIDERED

- 7.1 The option of outsourcing the service had been considered but rejected as it contradicts with a 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 border 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 explain the need to increase the price of school meals from September 2017.
- 8.3 Further consultation of the impact of the price rise and the anticipated further price increase in September 2018
- 8.4 Staff consultation on the future of the catering service will run in parallel with consultation with schools
- 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 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 As the number of schools diminishes through this year consideration of running a tender process for schools who will find it difficult or cost ineffective to run a tender process to find a new provider. This option will be utilised if there are sufficient schools who would be interested in such a process.
- 8.8 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.

Contact person	<i>Richard Morgan, Julie Bromley</i>
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 and A –

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 who provide high quality food.

Appendix 2

Dear Colleague

Following a review of the council support services to schools it has become apparent that the catering service is observing significant pressures due to rising costs of both food and staff costs. These cost increases have been exacerbated by diminishing client base due to schools and settings giving notice to the council as a supplier and making alternative arrangements.

The council understands the financial pressures being observed by schools and the need for schools to find services at the most economical prices they can. However the numbers of schools and settings giving notice to the council has escalated over the past 12 months to a point that the current viability of the service is in question.

The council has therefore reluctantly come to the decision that the catering service to schools will cease as of 1st September 2018.

The council recognises that some schools will find the process of finding an alternative supplier difficult and the council's officers will look to support and advise schools that need guidance in making alternative arrangements.

Should you require support and advice please contact the catering service on