

Schools Forum – Tuesday 2nd October 2007

Report of the Director of Children’s Services

Dudley Client and Catering Services (DCCS) School Meals Service

Purpose of Report

1. To advise Schools Forum about the current School Meal Service provided to 94% of the Borough’s schools through Catering and Client Services.

2.

Budget Working Group Discussed

3. No.

Schools Forum Action

4. To note the position of Dudley Client and Catering Services
5. To advise the Director of Children’s Services on the options of Dudley Client and Catering Services.

Attachments

6. None

Ray Watson

Assistant Director Resources

19 September 2007

Schools Forum – Tuesday 2nd October 2007

Report of the Director of Children's Services

Dudley Catering and Client Services (DCCS) School Meals Service

Purpose of Report

1. To inform Schools Forum about the current School Meal Service provided to 94% of the Borough's schools through Catering and Client Services. The remainder are self managed or served by external contractors.
2. To seek Schools Forum's views on the funding mechanism, implications of the recent legislation affecting the cost effectiveness of the service and options for change.

Background

3. Compulsory Competitive Tendering (CCT) and Local Management of Schools (LMS) encourage both schools and local authorities to focus on the needs of the customers/users. Catering generated revenue for the schools and the Authority due to the higher profit margins achieved on popular items. This subsidised the less popular healthy options which are expensive to provide.
4. The context changed with the ending of CCT and increased emphasis on every child matters, particularly in relation to outcomes. Specific areas of focus included childhood obesity, health and nutrition. There has also been a greater emphasis on services that demonstrate both value for money and efficiency. The new context concentrates on making a difference to the life chances of children and young people and effective use of available resources.
5. The Dedicated Schools Grant (DSG) funds the Schools Budget. The Schools Budget is a combination of centrally retained budgets together with the ISB (Individual Schools Budget). The DSG is calculated on a per pupil basis. The unit of funding per pupil for Dudley in 2007/08 is £3,786.
6. School meals budgets were first delegated in April 2000 and the responsibility for the provision lies with Governing Bodies.
7. The Fair Funding Formula that drives the allocations for the ISB has a number of formula elements, two of which relate to Catering. The catering allocation is based on the number of pupils eligible for free meals at PLASC date and is intended to reflect the variable cost of providing a free meal. Funding for fixed costs is allocated via a lump sum that forms part of the basic allocation. Every school will receive a lump sum varying according to its size and type.

8. There are 5 bands for catering which are based on pupil numbers, with the smallest schools receiving the largest allocation, in reflection of their greater diseconomies of scale.

Band	Value £
1	14,580
2	11,193
3	8,952
4	6,711
5	4,481

These two elements (free meals and fixed costs) may be added together to arrive at a total “catering allocation”.

9. The last review of this formula factor was in 2005-06. Historically funding was allocated at £1.05 per FSM. The review found that the cost of a FSM was approximately £1.20 and the increase was agreed to be staged due to the funding implications. However, this was prior to the introduction of the new school food standards. Further analysis indicates that the actual cost of a meal is now in the region of £2.20. An increase of this scale is not achievable without further efficiencies which are being pursued. The government has provided grant funding for Schools Meals which is easing the financial burden during this transitional process but the level of funding is not sufficient to meet actual costs.

10. 2007/2008

Unit of resource	Mainstream	£1.20 per meal	£227.31 per annum
	Special	£1.27 per meal	£241.94 per annum

The current charge of a meal to a fee paying pupil is £1.60. If schools were funded at the same level for FSM children there would be an additional £500k cost pressure on the DSG.

11. Schools also receive an allocation for premises based on sq metres. Floor space within kitchens is included within the premises allocations. Caterers have been required to maintain premises from the income from meal provision. A recent change in legislation requires local exhaust ventilation systems to be cleaned annually; this cost was absorbed into the catering account.

12. Legislation does not allow schools to make a charge for packed lunch provision for example use of tables and beakers. The decline in paid meal income (see para 16) has highlighted the associated costs of labour, waste and light equipment which have been absorbed into the catering account.

13. Light Equipment (crocery and cutlery) costs run at approximately £22,000 per year and additionally in excess of £5,000 per year is spent on stolen cutlery.

14. On the 30 March 2005, the Education Secretary at that time, Ruth Kelly made an announcement pledging a £280 million investment package over three years, for improvements to the school meal service in England. This financial commitment has now been extended to 2011.

15. The timetable for implementation is as follows:

September 2007 Food based standards introduced.

- September 2007 Food other than lunch
- Breakfast
 - Mid-morning break / Tuck shops
 - Vending
 - After School Snacks and Meals
 - School trips, except residential

September 2008 Primary nutrient based standards.

September 2009 Special / Secondary nutrient based standards.

16. The introduction of the new Standards, has seen considerable restrictions to the items served and the income generated.

Financial Year	Primary Paid Uptake		Free Meal Uptake	
	Av. / Day	% Uptake	Av. / Day	% Uptake
2004/05	7796	35.5%	5072	72.1%
2005/06	6740	30.7%	4714	69.8%
2006/07	6211	28.8%	4789	70.6%
2007/08	5944	28.2%	4831	70.1%

17. Due to these external influences and compliance with new standards, caterers have experienced rising food and labour costs, along with falling meal numbers.

18. Schools are also changing and shortening lunch breaks, for operational reasons, which has implications for service provision. For example, labour costs may increase, or the rate of serving meals may reduce or the time available to eat may reduce. All of these may affect the quality and cost of the provision as well as take up.

19. The School Food Trust has been set up to ensure the Transforming School Meals Agenda is achieved. The agenda focuses on Nutritional Standards, improved dining room facilities and increasing meal numbers. It highlights areas of good practice recognising that the transitional phase is painful.

20. Dudley Catering Services are using the Saffron nutritional package to ensure the fifteen day menu cycle meets the standards. This has been developing over the past two years and adjustments are continually made to products, customer preference and legislation in the required timescale. Manufacturers are producing new products in order to meet the standards but these are at increased cost. A long term monitoring project was introduced in 2005 to establish any links between the new nutritional standards and any other performance indicators e.g. attainment, attendance and behaviour.

21. There are many areas of good practice within the authority but no schools are showing that these good initiatives are cost neutral. The School Food Improvement Group was set up to explore opportunities but all extra funding has been absorbed by ingredient costs.

22. Catering offer their service via the Traded services. 3 Options are available:

1 Buy Back Three choice set meal, produced on site or transported from another unit.

The charge to the school will be equal to the budget received through the Resource Allocation Formula. This will cover all fixed and variable costs.

The service provider will retain all income for paid meals.

2 Buy Back Cash cafeteria system, offering multi-choice (secondary schools only).

The charge to the school will be equal to the budget received through the Resource Allocation Formula. This will cover all fixed and variable costs.

The service provider will retain all income for paid meals.

3 Individual Service Level Agreement

The School will retain its budget received through the Resource Allocation formula. Under this option an individual agreement will be drawn up defining the levels of service, responsibilities and an estimate of likely cost.

The current Management Charge for individual Service Level Agreement:

Primary schools £6,850

Secondary schools £8,950

These charges would be reviewed if all schools were on Service Level Agreements.

To take account of the variety of delivery mechanisms Catering are proposing from 2008-09 to introduce premiums to options 1 and 2 where there are variations to standard service delivery. This may include sitting times or staggered lunch breaks and additional equipment needs.

23. Due to the issues described above catering have been working on providing school meals on an individual SLA basis. This would give the department flexibility to charge the full cost of delivery to individual schools which may not correlate to the ring fenced funding received via the formula. However, a discussion took place at Traded Services Management Board that suggested schools would be in favour of the buy back arrangements they have at present.

24. This is unsustainable unless:

a) The allocation of Free School Meal budget is increased into school budgets to cover the cost of providing the actual meal.

b) Along with the commitment to retain the hot meal service for a 3 to 5 year period to enable planning for the necessary changes to be made.

The economies of scale will be lost if individual schools choose to withdraw from the service or close kitchens. The alternative is to have individual service level agreements with each school.

Finance

25. The funding of schools is prescribed by the DCSF through the School Finance (England) Regulations 2007.

26. From 1st April 2006, the Schools Budget will be funded by a direct DCSF grant: Dedicated School Grant (DSG).

Law

27. The Council may provide school meals under section 512 of the Education Act 1996

Equality Impact

28. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

29. Schools Forum to note the service pressures on Catering

- To confirm commitment to the provision of hot school meals within schools
- To invest in the funding for FSM to bring in line with the charge made to fee paying pupils
- To support premiums being charged to schools where they have high cost arrangements for meal sittings
- To consider the introduction of individual SLAs when the full extent of this transition period is known



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List of Background Papers

None