

Children and Families Committee

29 April 2024

Decision on the future delivery of the School Catering Service

Report of: Deborah Woodcock, Executive Director Children's Services

Ward(s) Affected: All

Purpose of Report

1 This report provides further information on the impact of the proposal to cease the delivery of Cheshire East's catering service and seeks a decision from members to cease trading from April 2025.

Executive Summary

- 2 A detailed paper was considered by the children and families committee in February 2024 in relation to a number of options for the future delivery of the catering service.
- 3 The committee sought further information from schools before making a decision. The committee therefore approved the proposal to enter into discussions with those schools who buy into the service to cease the provision by the end of December 2024, if possible.
- 4 A meeting with all affected schools took place on 8 March and this was followed up with a subsequent survey to gain further feedback from schools.
- 5 It is now essential for members to make a decision on the council's proposed approach to delivering the efficiencies needed, linked to the removal of the subsidy of £515k this financial year. It is proposed that this is delivered through an increase to the existing price of school meals from September 2024 and to cease trading by April 2025.

Recommendations

The Children and Families Committee is recommended to:

- a. Consider the findings from the survey to schools and endorse the council's response as set out at Appendix 1.
- b. Approve the proposal to cease trading Cheshire East's catering service by April 2025.
- c. Delegate authority to the Executive Director of Children's Services to make all necessary arrangements for the council to cease trading the catering service.

Background

- 6 The report to committee in February 2024 detailed the background to the current position in relation to Cheshire East's catering service. This included the options, risks and issues for the future delivery of the catering service to remove the current subsidy from the council. It sought a decision from members on the future delivery of this service.
- 7 In summary:
 - (a) The responsibility for the provision of school meals sits with individual schools.
 - (b) Cheshire East schools currently have a number of different arrangements for the provision of their school meals, including some that buy back from Cheshire East's Catering Service or use another third party provider and some that provide school lunches themselves.
 - (c) Cheshire East's catering service currently provides over two million meals each year and supports 87 schools (82 primary, 4 special schools and 1 pupil referral unit) through a traded service. Since the February committee, three schools have given notice to opt out of the traded service and will be providing their own school meals from September 2024.
 - (d) As a traded service to schools and a non-statutory duty of the council, it is expected that the school meals service should be fully funded from income. However, the council has increasingly been supporting a shortfall between income and expenditure which was projected to be over £900k in 2023-24 at the start of the year (£515,580 base budget and £422,955 of pressure).
 - (e) A January 2024 price increase offset the 2023/24 school catering shortfall by approximately £207,600, however, the increased charge will not support its long term viability and further action is required.
 - (f) Separate discussions are ongoing with adult services in relation to the Extra Care housing service who currently use the school catering team to provide food in two locations (Oakmere and Willowmere).

- 8 Following discussion at the February committee, officers were asked to provide further information from schools before making a decision, with this being fed back to committee at the earliest opportunity. The committee therefore approved the proposal to enter into discussions with those schools who buy into the service to cease the provision by the end of December 2024, if possible.
- 9 A meeting with all affected schools took place on 8 March and this was followed up with a subsequent survey. The feedback provided by schools is set out at Appendix 1.
- 10 It is now essential for members to make a decision on the council's proposed approach to delivering the removal of the subsidy of £515k, as this was approved as part of the council's MTFS for 2024/25 in February 2024. It is proposed that this is delivered through an increase to the existing price of school meals for 2024-25 and to cease trading by April 2025.

Feedback from schools

- 11 Officers have worked with East Cheshire Primary Heads Association (ECAPH) to support schools in considering the options for the future delivery of catering services in their individual schools.
- 12 On 8 March 2024, a meeting took place with affected schools to discuss issues and concerns in relation to proposals around the school catering service. A number of issues were raised at this event around the proposal to cease trading Cheshire East's catering service from December 2024.
- 13 The main issues were around:
 - The impact of a further increase in school meal costs on school budgets schools were keen for all cost-saving options to be explored to reduce the school meal price.
 - The timing of the proposal to enable schools to make alternative arrangements and for the local authority to deliver the transition across all schools there was some concern that more time would be needed for schools to put in place alternative arrangements.
- 14 A further survey was sent out following the meeting with schools to gain more detailed feedback, with a closing date of 28 March. We received a good response rate to the survey, with 52/87 schools (60% of those surveyed) responding to the survey. In summary, the survey showed that schools are largely open to efficiencies being made and are supportive of some of the cost saving approaches, but not others. The survey also suggests that schools would predominantly want to procure third party providers to provide their catering service, either individually or as a collaborative. Most schools would prefer the service to continue longer and allow for an extended exit period rather than it being as short as possible. Details of the feedback provided and the proposed council response to these are set out at Appendix 1.

Removing the subsidy to the school meals service in 2024-25

- 15 As it is now proposed that the catering service will cease trading by April 2025, a plan needs to be in place to deliver the removal of the current subsidy to the school meals service in 2024-25 in line with the MTFS. The main way that this can be achieved is through reduced expenditure and increased income from schools, i.e., by increasing the price that the council charges schools for the delivery of each school meal.
- 16 The universal infant free school meals (UIFSM) grant provides funding for all government funded schools to offer free school meals to pupils in reception, year 1, and year 2. Schools must provide school meals to a pupil free of charge if the pupil and/or a parent meets the eligibility criteria for free school meals. In the 2023-24 academic year, the government grant was set at £2.53 and assumes that pupils will take 190 school meals over an academic year. Schools also offer a paid meal service for those children who are not entitled to free school meals. Currently, approximately two-thirds of meals provided are FSM and the remainder are paid for meals.
- 17 It has been recognised that funding for free school meals has not kept pace with inflation¹. The Local Authority Catering Association (LACA), the body representing school caterers, believe that the funding rate for both UIFSM and FSM should be equal and should increase to a minimum of £3.00 per meal and then be subject to annual index linked increases (RPI) to cover the rising costs of food, labour and equipment each year. This is the best way to ensure that caterers can deliver healthy and nutritional meals that meet the School Food Standards. The 2024-25 FSM rate is not yet known, but it is expected that it will increase.
- 18 The cost of a school meal in Cheshire East was increased from January 2024 to £2.53 for a free school meal (in line with the amount received by schools from the government) and a 15% increase for paid meals. Prior to this, prices had not been increased since before 2019. The paid school meal price currently ranges from £2.42 To £2.65.
- 19 Schools have asked that all school meals (free school meals and paid for meals) are charged at the same rate. Initial estimates suggest that the council would need to charge an average of £3.40 per meal from September 2024 to reduce the budget pressure in the 2024/25 financial year. Work is underway to see if this could be reduced further.
- 20 Each school currently charges parents/carers a different amount for its schools meals. It is expected that schools will pass on some or all of the proposed increase in charges on to parents to bridge the gap in their budgets, so any increase in charges is likely to impact on families or the profitability of the service if those families choose not to pay for a school meal. Any

¹<u>The policy menu for school lunches: options and trade-offs in expanding free</u> <u>school meals in England | Institute for Fiscal Studies (ifs.org.uk)</u>

significant reductions in the take up of paid meals is likely to increase the budget pressure further.

Consultation and Engagement

- 21 The removal of the council's subsidy to the school catering service was included in the budget proposals for 2024/25 and was subject to public consultation.
- 22 In addition to the public consultation, a survey was sent out to those schools who buy into the school catering service on the 11 January 2024. The results of this survey were reported to the committee in February.
- 23 On 8 March, a meeting took place with affected schools to discuss issues and concerns in relation to proposals around the school catering service.
- A further survey was sent out following the meeting with schools to gain more detailed feedback, with a closing date of 28 March. The findings of this survey are set out at Appendix 1.

Reasons for Recommendations

- 25 A decision about the future delivery of the school catering service to deliver the removal of the council's subsidy is needed as soon as possible to remove the financial pressures of the service. The subsidy was removed as part of the MTFS, which was approved by the council in February 2024, so if action is not taken there will be a budget pressure for the council in 2024/25.
- As a non-statutory service, the council does not have a duty to provide this service and is not in a position to continue to provide a financial subsidy.
- 27 School catering is a privatised, profit generating enterprise. This has attracted many commercial providers to the space, who have the expertise to deliver school catering at a more competitive price than the local authority, whilst retaining food standards in schools. Over half of Cheshire East's schools currently use alternative arrangements to the local authority's catering service, with many local authorities across the nation ceasing to provide catering internally and successfully delivering it externally.

Other Options Considered

28 A number of options were included in the February report. These were not considered as viable options in the light of the current financial position of the council and the lack of skills and capacity within the wider council to support these.

Implications and Comments

Monitoring Officer/Legal

If members support the recommendation that the council cease school meals provision; then consideration needs to be given to the contractual provision. For schools where school meals are currently provided there is in place a service level agreement which would in the first instance govern any exit arrangement. The agreement requires notice to be given in any given year by no later than 30 September, being a notice to terminate with effect from 31 March in the following year. This notice period is of a suitable length to allow schools to find alternative arrangements. If arrangements are proposed to be terminated before 31 March 2025; then this will have to be agreed with

4 Price and Charging

- 4.1 The SLA price will be estimated annually and reviewed at the end of each term to take into account the effect of inflation, tariff changes, any service improvements, any decisions taken by the school that effect the trading position, changes in pupil numbers on roll, and any changes to legislation.
- 4.2 This process will provide a rolling agreement between Cheshire East Catering and the School identifying the outcome for the previous term, likely outcome for the following term, and an agreed and joint plan of action. It will be based on open access by the School to the income and expenditure analysis relating to Catering in the School.
- 4.3 The SLA price will represent a price net of income and will be charged on a bi <u>annual statement</u>, which will include:-
 - Calculation of the SLA charge or payback
 - Details of the charge for any staff meals supplied
 - Details of the charge for any pupil free meals <u>supplied</u>

individual schools on a case by case basis. It should be noted that the service level agreement provides for price review and price setting as follows; it is understood that this mechanism has been deployed to provide for the increases already instituted and if further increases are proposed would be applied again.

- 30 If the council ceases its catering provision, there will be staffing implications to consider. Approximately 270 staff are engaged in the catering service. Assuming the schools and extra care services find alternative providers, it is likely that TUPE could apply to transfer the employment of CEC staff to the new provider(s). For TUPE to apply there needs to be an organised grouping of employees who are essentially dedicated to the service, and the service needs to remain fundamentally the same after the proposed transfer. TUPE imposes strict legal obligations on consultation and engagement with affected staff which will need to be adhered to or risk claims for failure to consult. It is unlikely that TUPE would apply to management positions and so there will need to be redeployment/redundancy consultation for any staff not subject to TUPE. Redundancy costings should be sought and consideration of any suitable alternative employment.
- 31 There will likely be ongoing pension costs to consider as the council will need to enter into a pass-through admission agreement arrangement with any new provider regarding their admission into the Local Government Pension

Scheme for transferring staff. Further information and costings should be sought from the Pension Fund regarding this.

Section 151 Officer/Finance

- 32 In 2023-24, the council has contributed a budget of £515,580 to the schools catering service. Forecasts early in the year estimated a pressure/overspend on the budget of approximately £422,955, so there was an overall projected subsidy of approximately £940k.
- 33 The expected total subsidy for 2023/24 at year end is now currently estimated to be around £620k. This is a mitigated position due to the price increases actioned in January 2024.
- 34 The January 2024 increases in charges offset the school catering shortfall in 2023/24 and should provide a full year increase of around £710k in 2024/25. However, the increased charges to date will not support the long term viability of the service.
- 35 The council approved the high level business case in the 2024/25 MTFS to remove the council subsidy of £516k from the school meals service from 2024/25, so there is no budgeted subsidy for this service in 2024/25.
- 36 The costs to deliver the service are expected to increase further in 2024/25 linked to pay increases and inflation on costs, and these costs will need to be recovered through increased charges.
- 37 Projections for 2024/25 indicate that there will be a financial pressure for school catering unless there is a significant further price increase for school meals. Based on the existing model and assuming inflationary increases for staff and meal costs, then early estimates suggest that the meal price, for both free and paid meals, will need to increase to around £3.40 per meal in order to cover the costs of the service.
- 38 Work is being undertaken to look at options to reduce the costs of the service in the interim. In order to give an idea of the scale of savings needed, delivering a reduction of 20p per meal requires cost savings of around £400k.
- 39 These figures are based on estimated levels in inflation in costs, as well as estimated numbers of school meals. As this is an activity based income stream it is not possible to accurately say what the actual income will be.

Policy

40 The proposal to cease trading Cheshire East's catering service will not require a policy change.

Equality, Diversity and Inclusion

41 An EIA has been completed.

Human Resources

42 Approximately 270 staff are employed by the catering service. To cease the service will require significant work to put in place TUPE arrangements for those staff based in schools, along with redeployment or redundancy for staff in the central team.

Risk Management

- 43 There is a risk that Cheshire East schools either struggle to find an alternative provider for their school meals or that this is only available at a much higher cost, putting further pressure on our schools and their budgets. It is difficult to make comparisons with competitors as prices tend to be prepared on a school by school basis and is commercially sensitive information. The APSE report produced in 2023 stated that the UIFSM grant is 'considered to be inadequate by LACA, the body representing school caterers, and other industry groups. In Wales the UIFSM funding is at £2.90 and in Scotland it is £3.30. According to APSE Performance Networks for the North West on Performance Indicator 11c, the average total cost per lunchtime meal excluding corporate overheads is £3.04'.
- 44 One of the risks of introducing a further charge to schools is that they may decide that the service is unaffordable or no longer want to trade with the council and seek an alternative provider before April 2025. Parents whose children buy meals may also decide that they cannot afford the increased price and so do not buy a meal. In both cases this would increase the gap between income and expenditure.
- 45 There are risks that the cost of running the school catering service will continue to increase and we will need a charging policy that ensures that these costs are not met by the council. If the service continues to operate up to March 2025, the pressure on the budget is likely to increase.
- 46 There is a risk that uncertainty around the future of the service will impact on the workforce. Turnover and sickness of staff in schools is already an issue, which means that the school catering team often end up supporting delivery rather than managing or developing the service. Council staff may choose to leave the service unless there is a clear future plan.

Rural Communities

47 There have been challenges to maintain school meal services in some smaller and rural schools and this will need to be carefully considered in wanting to maintain strong and viable performance in such schools. These schools may experience more challenges in getting an alternative school meal provider.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

48 The government encourages all schools to promote healthy eating and provide healthy, tasty and nutritious food and drink. The school food standards are to ensure that food provided to pupils in school is nutritious and of high quality; to promote good nutritional health in all pupils; protect those who are nutritionally vulnerable and to promote good eating behaviour. This is particularly important for those children who are eligible for free school meals, who are more likely to experience food poverty at home.

Public Health

49 The analysis carried out by the Public Health team in relation to the school catering service was reported to the February committee. In summary this showed no clear correlation between poverty levels or excess weight in relation to the service operating in Cheshire East schools and that the subsidy provided was not sufficiently targeted to our most vulnerable pupils through a period of high need.

Climate Change

50 The need to cover staff in school across Cheshire East when they are absent has increased travel for identified staff. The use of local providers is a real effort to reduce travel of food goods to schools on a weekly basis.

Access to In	Access to Information		
Contact Officer:	Gill Betton, Head of Children's Developments and Partnerships <u>Gill.betton@cheshireeast.gov.uk</u>		
Appendices:	Appendix 1 – Assessment of proposed options		
Background Papers:	February committee report: https://moderngov.cheshireeast.gov.uk/ecminutes/documents/s1147 33/School%20Catering%20Report.pdf February committee report Appendix 1:https://moderngov.cheshireeast.gov.uk/ecminutes/documents/s11 4734/Appendix%201%20- %20catering%20service%20assessment%20of%20options.pdf		

Feedback from schools and proposed council response

Feedback provided	Proposed council response
 Options to reduce the price of school meals - responses showed that the areas most supported by schools were: Not offering milk every day (61%) Less menu changes/simpler menus (61%) Cheaper cleaning products, if available (61%) Provide cheaper menus options, e.g., more pasta dishes (51%) Less popular options were: Smaller portion sizes to reduce waste, if possible (14%) Not provide fruit every day (14%) Not provide fruit every day (14%) Stop doing kitchen repairs (6%) Other suggestions included agreeing to all options/none of the options, looking for better value/cheaper products, asking for meal requests in advance to reduce waste and using frozen food. 	Regardless of the ongoing delivery decisions, the service is currently committed to reducing costs as much as possible by applying all the options supported by the majority of schools, including simplifying menus and offering more menus that provide more value for money. We are currently carrying out financial modelling on these options to see the impact on the price of meals. Other efficiencies being considered include redeploying staff, increased senior management scrutiny and oversight of spend (including kitchen maintenance costs), removal of postal services, reviewing catering costs and increased scrutiny on kitchens meeting meal target costs. By implementing these cost control protocols, the service is working to limit cost increases, which would ultimately be paid for by schools/families.
 Schools preferred future delivery approach – the following shows the preferred model of delivery currently being considered by those schools who responded: Schools would like to enter into a collaboration with other schools (40%) School will seek its own alternative catering provision from another third party (33%) School will run provision themselves (8%) Other responses included some schools who were still unsure about which approach to take and needed more information and time to do this. Some were looking to their multi- academy trusts (MATs) to support them with a collaborative approach. Some were worried about the quality of other providers and some 	It is proposed to offer a range of support to schools as they move to an alternative school catering arrangement. Cheshire East Council support – A school catering working group has been established within the council to bring together key services that can support schools in moving to a new catering arrangement. This includes Procurement, HR, Legal, the Catering Service, Research and Intelligence and Communication. Project management support is also in place to support this work over the next year. Work is already underway to plan this work, supported by a detailed action plan. One of the areas that schools were most concerned about was the TUPE transfer arrangements. There is already a robust process in place that has been followed over the

smaller schools were concerned that they	years as schools have opted out of Cheshire
may not find a provider who would deliver their school meals.	East's arrangements and HR are confident that this can be achieved within the proposed timeline. A support pack, including frequently asked questions, will be sent to schools following the April committee. Schools will be supported to explore their options to procure alternative provision, including the pros and cons of each of
	these and any issues or risks they need to consider. Group and individual school support sessions required will be facilitated wherever possible.
	ECAPH – the primary schools association are being proactive in supporting schools. They have already put on some support sessions for schools and have put them in touch with other resources such as those provided by the Department for Education (DfE) below. At the event on 8 March, a number of existing school catering organisations were invited to set out their services and options for schools. ECAPH have also connected with a consultant who may be able to set up collaborative agreements for groups of schools.
	DfE – The DfE offers a free and impartial service to support schools end to end with the procurement of their catering service. The 'Get help buying for schools' service is rub by a team of procurement specialists. Get help buying for schools is a free and impartial service, delivered directly by the DfE, for all state funded schools in England. The service provides:
	 general guidance or specific advice on buying goods or services for school
	 support with catering services for schools using a framework agreement
	 buy on behalf of schools through a framework agreement
	 buy on behalf of schools by getting quotes or bids for contract renewals or new procurements from an open supplier market
	YPO – YPO is a public sector procurement organisation dedicated to working with the public sector, including schools. They operate as a public

	sector buying organisation supplying products, goods, and services to its members, with their primary aim to streamline the procurement process, save costs, and ensure compliance with procurement regulations for its members. YPO works by establishing framework agreements and contracts with pre-approved suppliers to allow their members to access suppliers and procure services more efficiently and safely. The YPO has agreements that are ready-made for schools to access to support them with the procurement of a new school catering provider if this is their chosen option.
Timescales - in response to when schools would like to see the service cease:	It is proposed to cease the service by April 2025 to provide schools with more time to put in place alternative arrangements.
65.38% said March 2025 or longer34.62% said as soon as possible (likely	
December 2024).	
Anticipated impact on the school of the council ceasing its school catering service and increasing prices Schools expressed various concerns and opinions on potential changes, including price increases, worries for existing staff,	Given the current financial position of the council, it is not possible to continue to subsidise school meals and to meet the MTFS agreed by the council for 2024-25. There will need to be a further increase in prices. Whilst this will be kept to a minimum, it is expected to be a significant increase for schools.
unexpected budget pressure and worries about completing the procurement process. A summary of the key points are:	As set out above, there are a number of ways in which schools and their staff will be supported through the process and we will continue to
• Budget - Schools are concerned about budget pressures of passing the service over to them or paying for price increases in 2024-25 and beyond.	engage with schools to ensure that we coordinate this support, wherever possible. This includes connecting them with those who have expertise in procurement and can run this process on their behalf and advising on how to choose a quality
• Workload and timescale – some were worried about the increase work for administration staff to transfer to another supplier and the time that this would take.	supplier. In terms of the TUPE transfer, our HR department have carried out this exercise for a number of schools already and have plans in place to upscale
• Experience around procurement - Many comments discussed staffing concerns and the lack of procurement experience within the school to successful conduct the procurement activity and achieve best value for money.	this exercise to include all existing schools who buy back catering services from Cheshire East. We are continuing to communicate with schools and staff affected so that they are updated on the current position and likely timescales for change.
 Impact on staff – Concerns around the impact on existing staff of the proposed 	Our most vulnerable families are likely to be eligible to free school meals, which means that any increase in charges will not have a direct impact on

	change, including TUPE arrangements, especially around their pensions. Some were concerned about losing quality staff members. Quality of providers – some are worried about providing hot meals to children who require it and worried about the quality of catering providers due to mixed reports. Increase in cost of paid school meals to	them as they do not pay. However, schools may have to subsidise this from their existing budgets. Those parents whose children are not eligible for free school meals are likely to experience an increase in the price they pay for a school meals. This may vary from school to school depending how much of the increase schools pass onto parents. We will look specifically at options for our small
	parents – some were worried that the increase in prices would need to be passed to parents and would impact on their ability to pay and could lead to reduced school meal uptake.	and rural schools. It may be that being part of a collaborative will help them to secure a better service.
	Small and rural schools – some were concerned that they may experience difficulties in finding another supplier due to rural location and size of their school.	
What can the council do to support schools with the impacts identified		As above, the council will be offering a range of support that will address most of the areas
80	hools identified the following ways in which	identified by schools. The area where we cannot
Schools identified the following ways in which the council could support them:		support further is in providing financial support or subsidy due to the financial pressures of the council.
•	Provide support and advice on options for schools on the procurement	
	process, contracts etc and options	
	including suitable companies capable of providing the service.	
•	Work with schools to find an alternative	
	supplier collectively.	
•	Ensure that equipment is left at the schools for continued use.	
•	Keep costs down until the service	
	ceases and explore options for cost- saving within the service.	
•	Consider providing additional budgetary	
	support/continue to subsidise meals	
	to help mitigate cost impacts and provide financial support and guidance to schools	
	facing budgetary challenges and	
	transitions in catering services.	
•	Make prompt and informed decisions to support schools during the transition	
	and ensure a smooth process is in	
	place, including communicating clearly	
	with schools, staff and other	

stakeholders, providing timely information	
on TUPE and transfers.	
Ensure that portion sizes and	
nutritional quality are maintained.	
Further information schools think the	The information provided by schools has been
council should take into account when	considered in the proposed changes for school
considering the proposal to cease trading	catering and are informing the priority actions of
and to increase the price of school meals	the working group.
Simplifying menus to include daily	Suggestions in relation to further savings are
options like sandwiches and jacket	currently being fed into the financial modelling that
potatoes could better meet the needs of	we are carrying out to determine the level of price
students.	increase required from September 2024 to address the school catering budget shortfall. We hope to
Consideration should be given to making avioting actoring staff redundant	be able to inform schools on the proposed price
existing catering staff redundant rather than TUPE'ing them, with the	increase soon after the April committee.
option for schools to reemploy them	
under new contracts and hours if desired.	Legislation in relation to TUPE will be strictly
 Consider the potential negative impact 	following which means there is no option to make
on school budgets and services and	staff redundant ahead of the transfer of services.
explore alternative cost-saving	
measures within Cheshire East	A communication plan is in place to ensure that
Catering to avoid ceasing trading,	key stakeholders are kept up to date on in relation
such as reducing services or	to the changes around the school catering service.
collaborating with schools.	
• Take into account the potential impact	
on parents' ability to afford school	
meals, which may lead to lower uptake	
and affect children's well-being.	
Communicate effectively with schools	
and parents regarding the reasons	
behind the proposal and the potential consequences and ensure communicate	
is regular and transparent, even if there	
are uncertainties.	
 Consider the impact on special 	
schools and disabled pupils, as well as	
the local businesses and suppliers that	
may be affected by the cessation of the	
service.	
 Provide financial support and 	
guidance for schools if Cheshire East	
ceases providing catering, including	
assistance with finding alternative	
providers and understanding TUPE	
processes.	
Ensure proper notice is given before	
any price increases.	

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