

SCHOOL MEALS CONTRACT

Contact Officer: Jeanette Leadbetter, Education Development Officer, MK253172

1. Purpose

- 1.1 To provide members of the Schools Forum with an update on the school meals contract.

2. Recommendations

- 2.1 That the Schools Forum notes the report and way forward.

3. Issues and Choices

- 3.1 Following the termination of the Sodexo school meals contract, Milton Keynes Council brokered an alternative arrangement with Cygnet Foods Limited to provide a school meals service to 63 primary schools and 9 day nurseries. The contract term began on 5 April 2008 and is due to end on 31 March 2011. It can be extended for a further two years from 1 April 2011 (making a total contract life of 5 years).
- 3.2 Milton Keynes Council has invested considerably in the facilities needed to enable Cygnet Foods Limited to deliver the service. The provider has also received a subsidy of £86,000 each term drawn from the School Lunch Grant (which we anticipate ending in March 2011) to ensure sustainability.
- 3.3 Initial discussion with Cygnet Foods Limited have taken place and it has been made clear that the cost of providing the service going forward needs to be met by the schools using the service. Cygnet Foods Limited have indicated that they would like to continue with the contract for a further two years but that without a subsidy at the current rate the level of meal take-up would need to increase by 1,000 meals a day (currently 3,000 hot meals and 200 packed lunches per day) in order for the contract to be financially sustainable. Since Cygnet took over the contract in September 2009, meal take-up has increased by an average of 54% among schools in the central contract.
- 3.4 Based on the working assumptions that the provider will require a subsidy of £86,000 per term to continue for the foreseeable future, current free school meals eligibility continuing and a charge by Milton Keynes Council for contract monitoring then the highest amount required to operate the contract will be £267,018 per annum. This is the worst case scenario. The final figure would be dependent on detailed contract negotiations and should reduce over time as school meal take up increases.
- 3.5 Based on the assumptions set out above and all schools staying in the central contract, if the costs were charged as a 'flat rate' then each school in the contract would need to contribute £4,238. If a charge, taking into account the above circumstances was made, then contributions would be in the range

of £3,602 to £4,874 based on 190 teaching days/year. This 'flat rate' subsidy is the equivalent of £22.30 per day.

- 3.6 Alternative options for the delivery of school meals do exist. Milton Keynes Council could decide not to extend the contract and leave schools to make their own arrangements. However, commercial operators are likely to only be interested in servicing schools with large meal take-up numbers and there is a high likelihood that many smaller schools or those located further away from the centre would not find a provider. External contractors would also have to face the challenge of a lack of kitchen facilities and production capacity in our primary schools. Alternatively, larger schools may want to take on parts of the service. TUPE would apply in this instance and the implications of this and the operational costs involved would need to be fully considered.
- 3.7 There is a growing body of evidence which links children's diets to their immediate and long-term health. When children eat a balanced diet they find it easier to concentrate in the classroom and their behaviour is significantly improved. Diet is increasingly being seen as central to unlocking the potential of children as well as being critical to their health. Improved nutrition and food habits can play a part in enhancing well-being and emotional welfare, and are an important part of addressing the need to reduce the number of overweight and obese children. Since poorer eating is regularly associated with low income, the provision of free school meals is an important measure in tackling child poverty. Regardless of the agreed way forward it is our shared responsibility to ensure that our most vulnerable children have access to a healthy meal.
- 3.8 Following the meeting of the Schools Forum, all schools in the contract will be contacted and asked to commit to a further two years and to fund the subsidy or inform us that they wish to make their own arrangements. We will then review the position and inform the provider. We are under a contractual obligation to meet with the provider six months before the end of the contract period (by the end of September 2010) to discuss and implement the transition arrangements (if any) which are due to take place at the end of the contract. Schools currently not part of the contract will also be contacted to discuss their interest in joining if the contract was extended.