

FUNDING AND CONTRACTS FOR SCHOOL MEALS

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1. Purpose

- 1.1 To agree changes to primary sector funding required to ensure the continued provision of free school meals and to note the future proposals for the provision of school meals in all sectors.

2. Recommendations

That the Schools forum considers these options:

Option 1

Increase delegated FSM funding from £1.84 to £2.00 per meal/per pupil/per day for primary schools to pay for price rises resulting from the extra costs;

Option 2

Increase delegated FSM funding from £1.84 to £1.90 per meal/per pupil/per day for primary schools and expect primary schools to make up the difference from their individual school meals grant (Grant 5B);

Option 3

Keep delegated FSM funding at the current 07/08 level of £1.84 per meal/per pupil/per day for primary schools and expect primary schools to make up the difference from their individual school meals grant plus the school budget, as necessary.

And that the Schools Forum notes the following:

- Work to be done to review whether to change formula used to allocate FSM funding in 2008/09 so that it is based on **take-up** of free school meals rather than eligibility.
- That an authority-wide catering tender will be organised on behalf of schools that wish to take part.

3. Background

- 3.1 School meals are either paid for by parents or are free school meals (FSMs). Free school meals are funded by the Government for children from families

who are entitled to this support due to their receipt of other social benefits. In Milton Keynes, the budget allocated by Government for free school meals is delegated to schools. In principle, therefore, it is the responsibility of a school's governing body to provide lunch-time meals for their pupils.

3.2 The need for improved and healthier school meals now has a very high focus nationally and locally and schools will have to ensure that their pupils have access to food (preferably hot at lunchtime) that meets the new, mandatory school food standards. The main aim of the Government's school meals policy is to encourage full take-up of free school meals, thus part of the Ofsted inspection process will also assess schools in this area.

3.3 Free School Meals are funded, in Milton Keynes, on eligibility. The funding in this financial year (2006/07) was £1.78 per meal for primary schools. In 2007/08, this funding was planned to be increased by 3.5% i.e. £1.84.

4. **Financial Factors**

4.1 School meal prices have increased across the country, due to a combination of factors:

- higher ingredient costs as school food must now comply with the Government's more stringent standards. Food only costs (excluding milk) nationally, in the primary school sector, have risen well above inflation for the second year running and averaged 59p in 2005/06 [□];
- lower take-up by pupils of the healthier meal options. Free meal take-up in the primary and secondary school sectors have fallen nationally by 1.5% and 2.5% respectively in the last year [□];
- increased food transport costs. (This is especially true in Milton Keynes where there are very few school kitchens and meals have to be transported / delivered-in to most schools.);
- higher labour costs for catering staff. Direct costs (food preparation and staff costs combined) for primary and special schools have risen sharply: the average nationally for 2005/06 being £1.58 for England & Wales, representing a year-on-year increase of 9p [□].

[□] Data provided by the Association of Public Service Excellence (APSE)

5. **Consequences of Financial Pressures on Catering Provision for Milton Keynes**

5.1 The pressures described above have caused the two main school meal providers in Milton Keynes – Synergy Catering DSO (36 schools) and Cygnet Catering Ltd (39 schools) to ask for higher meal prices in 2007/08.

5.2 In the case of Cygnet Catering Ltd, if a £2.00 free school meal price is not recovered for FSM meals served to school customers; the company has advised the Authority that it will have no choice but to withdraw from providing a service. In the case of Synergy Catering DSO, this service's long-term future has not yet been decided, but it is under threat because of the trading loss it is making. The Council's Cabinet will take a decision on the future of Synergy Catering on 20 March 2007.

5.3 By way of example, here are free school meals prices *currently* in operation in other authorities, who have also had to adjust to increased school meal prices:

Authority	2006/07 FSM Price per meal £	2006/07 FSM Allocation paid to schools per meal £
Ealing	1.85	2.08
Bournemouth	1.95	1.54 ♦
West Sussex	3.25	2.00 ♦
Kingston	2.45	2.45
Northamptonshire	3.40	1.84 ♦

♦ the difference between the FSM meal price and FSM allocation per meal devolved to schools is subsidised by these authorities. Milton Keynes Council has no resources available to subsidise school meals.

5.4 It is worth noting that, in Milton Keynes, 71% of eligible pupils took up free school meals (DfES 2005 figure). As MK schools are funded on eligibility rather than take-up, this means that some schools can derive a surplus via this funding method.

e.g. A primary school in 2007/08 (under existing arrangements)

would receive £1.84 per eligible FSM

but based on 71% take up would effectively receive £2.59 for each FSM taken up

the cost of each FSM will be £2.00

this generates a surplus of 59p per FSM taken up.

This surplus will decrease to zero if the take up of FSM reaches 92%.

- 5.5 To allow schools to meet the increased charges for FSM to £2.00 there are a number of options. The options and their impact are shown below:

Option 1

Increase delegated FSM funding from £1.84 to £2.00 per meal/per pupil/per day to pay for price rises resulting from the extra costs. This would require top slicing £82,475 from the DSG.

Option 2

Increase delegated FSM funding from £1.84 to £1.90 per meal/per pupil/per day and expect schools to make up the difference from their individual school meals grant (Grant 5B). This would require top slicing £30,928 from the DSG.

Option 3

Keep delegated FSM funding at the current 07/08 level of £1.84 per meal/per pupil/per day and expect schools to make up the difference from their individual school meals grant plus the school budget, as necessary. This would not impact on the DSG.

6. **LONGER-TERM**

- 6.1 School Improvement & Planning (Client Services) advises that in order to overcome the problems associated with the provision of school meals in Milton Keynes (e.g. lack of kitchen capacity, schools with limited or no provision, no interest from the major catering companies), we could assist Milton Keynes schools to find an alternative, long-term and viable solution. This would be by undertaking a major catering tender on behalf of MK schools who would like to take part.
- 6.2 Not only would there be the benefits of aggregated procurement – better prices, more potential providers and greater contract control; but also schools in Milton Keynes who individually would not be an attractive proposition (i.e. too small, no kitchen, long distance from the city nucleus) could be encompassed within the tender.
- 6.3 A tender of this size, value and complexity would take a year to award. If this is a welcome proposition for schools, the intention would be to complete this process by 31.03.08 i.e. for the start of the 2008/09 financial year.
- 6.4 In addition to undertaking a catering tender on behalf of schools, Client Services would take on the role of ensuring that whoever is awarded the tender is monitored closely in terms of contract management and against all

the new and up-coming mandatory school food standards. This support would assist Governing Bodies in meeting their responsibilities in this area. Additionally, the LA could pay the winning contractor(s) on the schools' behalf by devolving FSM funding to schools and then asking for it back from those schools that wish to be part of the group contract arrangement.

- 6.5 It should be noted that school catering companies are increasingly not interested in responding to tenders that are funded on free school meal eligibility numbers. This is because FSMs' funding is the backbone of this low margin sector and if the take-up of free school meals falls during the life of a contract, then the service becomes unsustainable. It is recommended, therefore, that in future in Milton Keynes (i.e. 08/09) FSMs should be funded on take-up rather than eligibility. This funding mechanism is used in many local authorities. Further, it would be an incentive to encourage as many pupils as possible who are eligible for FSMs actually to take them up. This possible change will be consulted on during 2007/08 as part of the wider formula consultation.
- 6.6 Further specialist support will be provided by Client Services to the 17 schools that have their own in-house catering services (e.g. nutritional analysis) and the council will continue to invest Grant 5A funding in creating new and/or upgrading school kitchen facilities in order to overcome the lack of kitchen capacity in Milton Keynes.