

LEWISHAM SCHOOLS FORUM			
<b>REPORT TITLE</b>	<b>Schools Meals Charges</b>		
<b>KEY DECISION</b>	<b>Yes</b>	<b>Item No.</b>	<b>4</b>
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>4 February 2016</b>

### 1. Purpose of the Report

This report looks at the charges made to schools for the new catering contract and looks at how the surplus on the previous catering contract should be distributed.

### 2 Recommendation

#### The Forum agree

- i. To note that revising the charging method could cause wide variations for Primary, Special and Nursery schools.
- ii. To agree to continue to charge Primary, Special and Nursery schools on the current charging basis of pupil numbers and FSM Ever 6 numbers for 2016/17
- iii. To ask officers to bring a report to Forum on the different methods of charging
- iv. To note the charges to secondary schools have been based on the new contract arrangement
- v. To agree that a once-off charge of £250k will be built into the catering contract costs to cover capital maintenance in kitchens
- vi. In principal to agree the cost of a paid meal increases to £2.30 over a number years, the increase to be reviewed annually by the Forum
- vii. The price of a paid meal to increase from £1.90 to £2.00 from 2<sup>nd</sup> May 2016
- viii. To agree the return of the surplus of £224k on the former contract catering account to schools.
- ix. To agree the current balance on catering trading account will be returned to schools on the basis of the proportion of payments into the contract over the last two years.

### 3 Background

In May 2015, Lewisham Council entered into a school meals contract with Chartwells on behalf of schools. A condition of the new contract

was that catering staff would be paid the Living Wage (from September 2015) and the London Living Wage by September 2016. The new contract commenced on 1 May for a period of five years, with an option to extend for a further two years. The contract value is estimated to be in the order of £45m, the exact figure will vary due to the number of meals supplied and inflationary pressures. 67 have schools bought into the contract.

#### **4 Charging**

- 4.1 Over the first few years of the contract life, the costs will increase to reflect the move to the Living Wage and the London Living Wage. To avoid schools seeing a steep rise in the costs after the first year it is proposed that the charge should be evened out over the life of the contract (first five years). In doing this a number of variables have had to be considered, such as inflation, and some are more predictable than others. A risk remains around national decisions, such as the future of the universal infant free meals. It is likely to mean that an adjustment to this price or charge will need to be made in the future. As the catering contract is run on a self-financing basis the charge could go down as well as up.
- 4.2 The current basis of charging schools is pro-rata to the pupil numbers on the school roll and the FSM Ever 6 number. This may or may not reflect the cost of the contract for individual schools as each will have a different level of take up of meals. The advantages to this method are that the charge and the funding provided to the schools within the formula allocation can be matched and that the charge can be levied at the start of the year, providing schools with more certainty over the charges. An alternative would be to base the charge on the number of meals supplied which would seem more logical. If the method were to change, schools with higher take up and/or higher free school meal numbers would see the level of their charge increase whilst some schools would see a decrease. Also, the link between the funding provided and the charge would be broken and the charges could not be levied until the meal numbers were known. It is proposed that any change in the charging method is not applied before April 2017.
- 4.3 The modelling of the charges is complex in order to anticipate future costs and volumes and currently shows that there would be significant increases and decreases in charges. The initial model indicates that 47% of schools will see a change in their charges of more than 10% (see Appendix 1). It is proposed that in principal the Forum agree to adopt a pricing model based on meal numbers but officers are asked to bring both more detailed modelling to the Forum in the Autumn with a view to achieving a more even impact on schools.

- 4.4 The catering contract has been commissioned at a lower cost than the previous contract, but the evening out of the increases related to the London Living Wage means that the 2015/16 charges will be comparable with previous years.

## **5 Investments**

Under the current charging basis to schools a sum of £250k is used to undertake reactive maintenance. It is proposed that for the next year only an additional one off charge of £250k is made to the contract to provide a fund to undertake capital expenditure to reduce the need for reactive maintenance

## **6 Paid Meal charges**

- 6.1 The current charge to a parent for a paid primary school meal is £1.90. Secondary school meal prices and adult meals remain at £3.10. The cost of a meal is in an excess of this. Each paid meal has a subsidy the cost of which is borne by the school.
- 6.2 The current charge of £1.90 has not been increased since May 2014. Since then inflation has run at 3.5%. The change to the London Living Wage has added 8% to the cost of a meal and it proposed that the Forum increase the price from 2 May 2016 to £2.00, which while above the inflation rate will make the income easier to collect.
- 6.3 Benchmarking data (see Appendix 2) indicates the uplift still places Lewisham on the low side in London. The current cost of the universal free school meal grant is £2.30. This is more in line with the paid meal charges that other London Boroughs are making. It is proposed that in principal, the Forum agree the charge is moved towards £2.30 over a number of years and officers advise and propose to the Forum annually the price increase.
- 6.4 Any increase in the charge of the paid meal will offset the costs borne by the School Budget. The impact on the school budget of the proposed 10p increase in price of a paid meal from £1.90 to £2.00 per meal is shown in Appendix 3.
- 6.5 The contract for secondary schools operates differently and a profit and loss arrangement of accounting has been agreed with Chartwells for each school. This still leaves an overhead charge to be made to secondary schools. For those schools whose facilities management agreement covers kitchen maintenance, the overhead is £0.06 per meal whilst for those without such a facilities management contract the amount is £0.14.

## **7 Previous Contract**

The previous contract with Chartwells expired on April 30th 2015. At that time the financial account of the contract was closed and a surplus of £224k remained. Potentially this could be used to offset some of the risks in the existing contract or alternatively returned to schools.

- 7.1 There are some schools who have bought into the new contract and not the old contract and vice versa. It is proposed to distribute this sum to those schools who bought into the old contract. There are a number of ways that it could be returned to schools: meal numbers, pupil numbers or payments made. As the payments made should have been lower it is proposed to return the funding on the basis of payments made into the contract over the last 2 years. This is to reflect the period after the contract extensions were signed by schools.
- 7.2 The amounts that individual schools would receive if the £224 were distributed in line with payments made for the contract can be found in Appendix 4.

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