

LEWISHAM SCHOOLS FORUM			
REPORT TITLE	Catering Contract Annual Report		
KEY DECISION	Yes	Item No.	8
CLASS	Part 1	Date	6 October 2016

1. Purpose of the Report

The purpose of this report is to review the performance and charging mechanism for schools.

.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 2017/18
- iii. Agree to increase the price of a paid meal from £2.00 to £2.10 from 1 May 2017
- iv. Note the performance of the contract since commencement 1 May 2015
- v. To distribute the £200k balance relating to the old catering contract to schools on the basis of the proportion of payments into the contract over the last two years of the contract.

3 Background

In May 2015, Lewisham Council entered into a school meals contract with Chartwells on behalf of schools for five years with the option to extend for two further years subject to the necessary approvals.

The contract was awarded inclusive of payment of the London Living Wage on a phased implementation. There are 71 schools who have bought into the school meals centralised service with contract value of circa £4.5m, the exact figure will vary due to the number of meals supplied and inflationary pressures.

4 Charging

- 4.1 Due to the phased implementation of the London Living Wage in the first two years of the contract it was anticipated that staffing costs

would increase by circa 20% with the potential of further above inflationary increases anticipated. To avoid primary schools experiencing a steep rise in the costs after the first term and commencement of the second full academic year officers proposed that the current charging at contract commencement should be continued allowing the cost of the school meals provision to be evened out over the life of the contract (first five years). Officers considered a number of variables such as staffing costs, 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 based on a combination of pupil numbers and FSM Ever 6. 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.
- 4.3 In February 2016 Schools Forum asked officers to explore an alternative method of charging based on a per meal price.
- 4.4 As requested by Schools Forum officers undertook an exercise to determine the impact should school meal charges be based on a per meal price rather than based on the current method as set out in 4.2. 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). The adoption of a per meal charging policy may leave schools open to additional risk as falls or increases in uptake or supporting funding e.g. UIFSM could lead to uncertainty around the amount of budget to set aside. Further there will be a greater responsibility on the schools to ensure meal numbers are accurately reported.
- 4.5 Since the commencement of the contract the minimum hourly rate for staff has risen to £9.15 (September 2016) with a further increase to £9.40 to be implemented 1 April 2017. This increase represents a circa 20% increase.

- 4.6 Given the degree of movement in charges that would result from moving to meal based charging along with the increased level of uncertainty and much later raising of charges, it is recommended that the current method of charging based on roll numbers and FSM Ever 6 be retained.

5 Paid Meal charges

- 5.1 The current charge to a parent for a paid primary school meal is £2.00, however the actual cost of a meal is in an excess of this. Therefore for every paid meal there is a subsidy which is borne by the school.
- 5.2 In February 2016 Schools Forum agreed to permit an annual increase of ten pence to the primary paid meal until the price is comparable to the governments agreed price of £2.30 for Universal Infant Free School Meals (UIFSM).
- 5.3 Benchmarking data 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 of other London Boroughs.
- 5.4 Therefore it is recommended that Schools Forum agree to increase the primary paid meal price by 10 pence to £2.10 for 1 May 2017 and agree to consider a further uplift in a years' time.
- 5.5 As noted in 6.1 each paid meal is currently subsidised. Therefore an increase in the charge of the paid meal will reduce the cost of the contract to schools.

6 Overview of the Contract Performance (year one)

- 6.1 The school meals contract has been in operation for four terms and completed one full academic year September 2015 - July 2016. Noted below are some of the benefits realised since the contract commenced.
- 6.2 Despite the number of schools within the central contract reducing, the take up of meals between April 2015 - March 2016 increased by nearly 178,000 meals an increase of circa 6%.
- 6.3 The school meals contract employs circa 470 staff with 70% of the workforce being Lewisham residents. Since the commencement of the contract staff will have seen a circa 20% increase in salary to reflect Lewisham Council and our schools commitment to pay the London Living Wage. Further, three apprentices and one graduate have been employed on the contract with Chartwells looking to recruit additional apprentices in the next year.
- 6.4 Chartwells have attained or retained the following;

- Food for Life Silver
- Sustainable Fish City
- Red tractor
- Fairtrade

This above has contributed to Lewisham becoming joint second in London rankings as rated by the Good Food for London Report.

- 6.5 The programme for schools and the community continues to expand at the Lewisham Training Kitchen and 18 nutrition assemblies were conducted by Chartwells
- 6.6 The Council's Education Catering Client team continue to monitor the school meals contract and have entered into a partnership with Environmental Health to enable increased visits to school and better working relations.
- 6.7 In addition to the school meals contract the Council manage an FM and equipment contract to ensure the school kitchen estate complies with statutory guidance and food safety regulations. Unfortunately the contract that commenced in June 2016 had to be terminated due to poor performance with an interim arrangement in place until March 2017. A new maintenance provider will be procured for the summer 2017 term.

7 Former Catering Contract Balance

- 7.1 Having received a further payment from Chartwells relating to the catering contract that ended in April 2015, there is now a £200k balance relating to this old contract.
- 7.2 In February 2016 the Forum agreed to distribute the balance at that time to schools on the basis of the contract payments made to schools in the last two years of the contract.
- 7.3 Agreement is sought to perform the same distribution of the current £200k balance in the same way.

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