

Cabinet**On 19 June 2007**Report Title: **Haringey Catering Services**Forward Plan reference number (if applicable): **[add reference]**Report of: **The Director of the Children and Young People's Service**Wards(s) affected: **All**Report for: **Decision****1. Purpose**

- 1.1 To advise Members on the in-house school meals service, Haringey Catering Services, and to set out proposals for its operation in the coming year, 2007/08, in the light of national and local developments.


2. Introduction by Cabinet Member

- 2.1 This report addresses the impact of the potential equal pay settlement on Haringey Catering Services. While for some schools and parents the price rises recommended in this report will be steep, the proposal to phase the increase will allow schools time to plan. I will ensure that officers consult further with schools before bringing back proposals to set prices for 2008/09 and for any variations in the funding arrangements for school meals.

3. Recommendations

- 3.1 School meals charges for Haringey Catering Services for 2007/08 to be set as shown in paragraph 7.6. These include a recommended charge per meal which schools using the service will be required not to exceed.

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4. Executive Summary

- 4.1 The schools meals service (Haringey Catering Services) has in recent years encountered budgetary difficulties, despite its success in implementing healthy meals. The implementation of a recovery plan has so far been successful though the cost of the upcoming equal pay settlement presents a serious risk.
- 4.2 This report updates Members on the background to current arrangements and the national context, before setting out the implications of the equal pay settlement. The level of charges to schools and prices charged to parents are recommended in the light of the latest estimates of the cost of the equal pay agreement.

5. Reasons for any change in policy or for new policy development (if applicable)

- 5.1 N/A

6. Local Government (Access to Information) Act 1985

- 6.1 N/A

7. Background

- 7.1 The existing school meals service, Haringey Catering Services, was set up in its present form in September 2003, following a failed attempt to outsource the service. The outsourcing failed for two primary (and related) reasons:
- schools' unwillingness to sign up in sufficient numbers to a long-term contract with a single provider;
 - lack of response from the market. Only one bid was received and this was alarmingly high.

The service currently provides a school meals service to 59 primary schools and two nursery schools and children's centres and two secondary schools. It also supports breakfast clubs at a number of schools. 261 staff are employed in the service.

The cost of school meals as charged to schools, alongside the recommended charges to pupils, is as set out in the following table:

	Charge to Schools	Recommended Price
Infants	£1.96 per meal	£1.65 per meal
Juniors	£1.96 per meal	£1.70 per meal
Secondary Schools	N/A (Cash Cafeteria)	

Schools are free to choose either the in-house or an external provider, or to manage the service directly. The current position is summarised in Appendix 1.

Schools are funded, through Dedicated School Grant (DSG), on the basis of a formula 75% based on Free School Meals take-up and 25% on pupil numbers. From this allocation schools fund free school meals and should subsidise the cost of paid meals. In practice, most schools charge more than the recommended price per meal.

School Menus have been subject to ongoing revision and improvement since 2001. The catering service has, and continues to work closely with Haringey Primary Care Trust and Standards and Inclusion colleagues to promote a Healthy Schools Initiative. Many of the recommendations resulting from Jamie Oliver's Campaign and standards set out by the new School Food Trust were introduced in advance of national requirements in Haringey primary and secondary schools. Levels of saturated fats, salt and sugar have been reducing since 2001 in all schools and the consumption of fresh fruit and vegetables has risen. In September 2005, all less healthy processed food options, many of them very popular with children (Turkey Twizzlers were never on our menus) were either removed from the menus or substituted with more healthy alternatives eg fish products with added omega 3 oils. Approximately 75% of all primary school food is now home made to recipes meeting all the current guidelines. The guidelines are summarised in Appendix 2.

Meal numbers initially fell in many schools as pupils initially rebelled at the loss of their favourite choices. This was a national trend (known as the "Jamie Oliver effect") but we are now seeing meal numbers rise again in most schools. Packed lunches are not exempt and most schools have been very pro-active with parents to discourage the provision of confectionary items, savoury snacks and high sugar drinks.

Many Secondary schools saw a drop in income as crisps, confectionary items, fizzy drinks and daily chips were removed from their menus. The recovery in some secondary schools is slower, as student access to nearby outside facilities is available over the lunchtime period. There is now evidence however, that numbers and income is rising as children come to accept the new choices.

Teachers and parents continue to be very supportive with regard to healthy eating, the new menus and the service as a whole.

7.2 For 2007/08 Haringey Catering Services' cash limit requires a £217K contribution to corporate overheads on a gross turnover of £5m per year. Meeting this target in recent years has proved difficult, mainly due to the cost of meeting increasingly tight food standards and latterly due to the fall in demand as new healthier menus were introduced. Plans were made during 2005/06 to introduce a charge for clearing packed lunches, in order to meet an expected shortfall in 2006/09. Following adverse local newspaper reporting of this proposal in early 2006, this policy was reviewed in consultation with the Cabinet Member and the across-the-board charge was dropped.

7.3 In place of this a recovery plan has been implemented, based on:

- temporary subsidy of meal costs using Targeted School Meals Grant

- intensive marketing and healthy food promotions;
- cost reductions, including tackling reliance on temporary staff and improving flexibility;
- targeting schools with less than cost-effective meal servicing arrangements and low take-up of meals.

These measures have proved successful, with meal demand rising steadily since Autumn 2006.

7.4 Service level agreement

Concerns remain about the loose nature of current agreements between schools and Haringey Catering Services and in particular that many schools charge more than the recommended price for meals, deriving a net 'profit' from meals sales. In reflecting the impact of the equal pay settlement, Members will wish to keep prices as low as possible; we will accordingly propose as a condition of the Service Level Agreement (SLA) between the school and Haringey Catering Services that schools cannot charge above the recommended amount per meal. This price will be set to ensure that school meals funding covers the expected costs.

7.5 Equal Pay Settlement and its Impact

Haringey Catering Services will bear a very significant additional cost from the Equal Pay Settlement when agreement is reached. Negotiations continue, so it is not at this stage possible to calculate the detailed impact of this, but it is clear that the largely female, relatively high-skilled workforce can be expected to benefit from any settlement.

Clearly such additional costs when reflected in prices could reduce the volumes of meals sold and potentially threaten the viability of the service. However, schools must still serve meals. Even if schools exercised their right to out-source or to manage their service directly, staff would in practice still be transferred under TUPE regulations to the school or a new provider. Schools or the new provider would still be largely be liable for the on-going costs of the settlement

An alternative strategy would be to attempt a single out-sourcing of the service as in 2003. However, there is also no evidence, based on recent consultations with headteachers that sufficient schools would be willing to participate in a single contract exercise.

The national picture is as follows:

- 68% of schools have services from their local authority, via their direct service organisation (DSO);
- 17% have services from their local authority, via an external provider;
- 10% arrange their own services through an external provider;
- 1% arrange to undertake the service themselves (also known as "in-house");
- 1% undertake as above, but with other schools forming a local cluster. Some schools may receive their service from a central school.
- 1% receive services through a PFI arrangement.

(source: DfES/ Food Trust)

The positive side of the Equal Pay settlement is that it is likely to lead to a more stable workforce and to support moves to increase skill levels and therefore the quality of meals cooked with fresh ingredients.

7.6 Recommended charges

September is the time of year at which prices have historically been raised in Haringey. Ideally, from the service point of view, prices should be raised from April, the start of the financial year and thus at the point where charges and staff costs for Haringey Catering Services rise. However, an April price rise incorporating the impact of the expected equal pay settlement would have placed a disproportionate burden on schools with high percentages of pupils in receive of free school meals. This is because the whole cost of these meals must be borne by the schools. Although they receive DSG funding, this would not, we estimate, cover all of these costs.

Even with this later price rise, adding the costs of the expected equal pay settlement would drive very high price rises. Prices to parents could rise to between £2.13 and £2.76 per meal, depending on the details of the equal pay settlement.

On the basis of the above analysis, we consider it unreasonable to levy such charges in full in 2007/08. Instead, the Haringey Catering Services, as a traded service, should be permitted to carry forward deficits over future years, allowing 'stepped' price increases. This would also allow consideration of the formula for distributing funding, to assess if the disproportionate burden on high-FSM schools can be alleviated.

Accordingly, we recommend a stepped price increase on both per meal charge and price to parent. The per meal prices proposed for September to March are as follows:

Charge to school:	£2.20
Capped price to parent:	£2.00

We propose to follow common practice in schools and remove the differential between Infants and Juniors, though schools will be free to maintain this if they wish. At this price, we calculate that no school will be required to subsidise meals by more than the funding received. Although the capped price is a substantial increase when compared to the current recommended prices of £1.65 (Infants) and £1.70 (Juniors), it is less steep in comparison with the prices schools are currently actually charging.

The charge to schools will result in a trading deficit for Haringey Catering Services for 2007/08. In conjunction with the Acting Director of Finance we have reviewed plans for recovering this deficit while avoiding too steep year on year price rises. Even with the 'worse case' of six years equal pay back-pay / compensation, we calculate that the service can break-even within five years.

Prices for 2008/09 and beyond will be reviewed and proposed to Cabinet in late Autumn, by which time the impact of price rises on demand can be assessed and a

final equal pay settlement will be known. This will also allow time for a further round of consultation with schools.

8 Conclusions

8.1 Under present circumstances, we do not recommend a major procurement exercise to seek a single external contract for the schools using Haringey Catering Services, for two main reasons:

- lack of clear support from schools for a long-term agreement;
- concerns that the buoyancy of the market has not improved since 2003.

However we do propose to continue to review the market.

Prices will need to rise, but these rises should be stepped to avoid too high a year on year rise. The recommended prices are set out in paragraph 7.6. This will result in a deficit on Haringey Catering Services' accounts which will need to be recovered through price increases in future years.

9 Recommendations

9.1 School meals charges for Haringey Catering Services for 2007/08 to be set as in paragraph 7.6. This includes a recommended charge per meal which schools using the service will be required not to exceed.

10 Financial Implications

The impact of a substantial equal pay settlement does represent a significant financial risk for the catering service and the council. This will be mitigated by continued careful monitoring of costs and marketing of healthy meals.

11 Comments of the Acting Director of Finance

The funding for school meals has been delegated to schools, and the in-house catering service is, therefore, required to breakeven.

The Local Management Scheme delegates funding to schools, using a number of factors to reflect the different causes of financial pressures upon schools. The total level of funding available for LA school services is fixed by the Dedicated Schools budget, so that increased funding in one area will result in decreased funding being available in another area.

Any proposed change to the funding formula requires consultation with the Haringey Schools Forum and any formula change should only be made at the start of a multi-year period. The next opportunity is to revise the formula for 2008-09 but then not again until 2011/12.

To phase the price increases in gradually would seem pragmatic, and ease the transition. The Acting Director of Finance had been involved in on-going discussions and supports the proposed stepped price changes. It should be noted,

however, that for schools already charging £2.00 per meal, the price increase will result in an unplanned revenue budget pressure in 2007/08 which cannot be off-set by an increase to parents and will have to be managed by the schools affected in year.

Given the current uncertainty as to the final agreement with regard to the single status settlement, and the impact of changed prices on take up rates, any new meal charging policy will require careful monitoring. Future price increase, after the current year, will be re-assessed in the light of information available at that time.

12 Comments of the Head of Legal Services

The Head of Legal Services has been consulted on the content of this report. As the report makes clear maintained schools may opt to choose to obtain school meals from the in-house Council service, from an external provider or provide the meals themselves. In all cases meals must meet the nutritional standards set out in the Education (Nutritional Standards for School Lunches) (England) Regulations 2006, other than in maintained nursery schools or nursery units within maintained primary schools.

A robust service level agreement should be in place to regulate all aspects of the provision of the service provided by Haringey Catering Services. One of the conditions proposed in this report for the service level agreement is that schools purchasing the service should not charge above the amount per meal recommended by the authority. Section 533 of the Education Act 1996 provides that the governing bodies of schools with delegated budgets may charge for meals provided at the school. This power to make charges on the part of the governing body would not be fettered by a condition freely entered into regarding the SLA since the governing body is free to consider other options with regard to the provision of school catering.

Liability for the payment of back pay and/or compensation arising from settlement or agreement of equal pay claims for in-house staff providing school catering would rest with the authority. Should the in-house service be outsourced and the work force transferred, any outstanding liability for equal pay settlements would pass to the new provider. However, it is certain that a new provider would seek an indemnity in relation to any such historical liabilities prior to transfer of the service. Legal advice should be sought regarding any firm proposal regarding the out sourcing of the service. In addition the impact of the developing legal framework regarding equal pay matters in local government will need to be consistently monitored and taken into account in relation to the assessment of the cost to the service.

13 Equalities Implications

- 13.1 Healthy eating, including the availability of healthy school meals is central to improving the life-chances of disadvantaged children.

14 Use of Appendices / Tables / Photographs

- 14.2 Appendix 1: Current arrangements
- 14.3 Appendix 2: Standards for food in schools

Appendix 1

Current Service Arrangements.

Primary/Special/Nursery Schools.

- Haringey Catering Services provide a meal service to the majority of schools.
- The exceptions are:
 - St Michael's N6 (external provider - Scholarest)
 - St James N10 (packed lunch service only by parents)
Chestnuts & North Haringey Primaries which recently undertook the service themselves.
- One other primary school is currently tendering their service. (Lordship Lane)
- There are currently 49 primary school kitchens producing meals on site, including this year to date, Campsbourne and North Haringay.
- Tetherdown Primary will also have a new on site kitchen operational later this year.
- Three children's centres currently receive meals. The remainder undertake their own provision.
- The new centres at Plevna & Woodside have incorporated new kitchen/dining areas. Park Lane and Stonecroft centre kitchens have recently been upgraded and the new facilities at Broadwater Farm Nursery are now operational.
- The meals on wheels service, undertaken on behalf of Social Services, transferred back to Social Services in July 2005.

Secondary Schools/Academies

- Haringey Catering Services currently provide the service at Woodside High and Highgate Wood Secondary schools.
 - Fortismere*, Gladesmore & Alexandra Park, use Scholarest.
 - Hornsey Girls School uses Duchy/Hopkinsons.
 - Northumberland Park uses OCS Catering
 - Park View Academy uses Harrisons
 - St Thomas More, Greig City Academy & John Loughborough undertake the service themselves.
- * Scholarest have now given notice to Fortismere and will cease to provide their service at the end of this summer term.

Each of the above has its own on site kitchen and dining facilities. Schools using external contractors or undertaking the service themselves, are responsible for agreeing all contract terms and conditions (subject to approval by the Councils Legal Department). These may vary dependant upon service requirements, investment etc.

APPENDIX 2

A SUMMARY OF THE GOVERNMENT'S NEW STANDARDS FOR FOOD IN SCHOOLS

STANDARD:

DATE OF INTRODUCTION:

New interim food based standard for School lunches.

September 2006 (all schools)

More fruit & vegetables
More oily fish
Bread available daily
Fresh Drinking water available at all times
Healthier drinks. No sweetened soft drinks
No: confectionary/savoury snacks
Restricted: salt- no condiments on tables
Restricted: fried food. Maximum twice in one week
Restricted: manufactured meat products –minimum meat content. No offal.

The above standard includes packed lunches provided by the school or caterer.

Food based standards for schools - other than lunch

September 2007 (all schools)

As above but applicable to breakfast, mid-morning Breaks, tuck shops, vending & after school clubs

Nutrient-based standards for school lunches

**September 2008 - Primaries
September 2009 - Secondaries**

Nutrient specifications to be shown on menus.
Maximum levels to be set for total fat, saturated fat, Sodium/salt & sugar.
Further information to be given for the above plus catering for pupils with allergies and special dietary needs.

Note:

- The above standards are mandatory.
- Schools have a legal responsibility to comply.
- Where budgets have been delegated, the ultimate responsibility for ensuring the standards are met lies with the school Governing Body.
- Parents, carers & pupils need to see the standards are being met
- Where packed lunches are provided by parents, Schools need to remind parents of the new standards and encourage "healthier lunch boxes".

OFSTED will monitor the way schools approach healthier eating as part of their school inspection.