

**PRIMARY AND NON-RESIDENTIAL SPECIAL SCHOOL MEAL BUYBACK AND
STANDARDS FUND GRANT 5A AND A POSITION STATEMENT ON THE MAJOR
PRESSURES FACING THE SERVICE**

Report of the Head of Hertfordshire Catering

Author : Lin O'Brien
Telephone : 01707 292700
Executive member: David Lloyd

1 Purpose of report

- A. To set out the pressures facing the school meals service in respect of
 - i. Nutritional standards and the healthy eating agenda
 - ii. The fabric of the kitchens and the impact of legislation
 - iii. Maintaining a trained and motivated workforceand to set the background for further reports to schools forum as the position develops

- B. To report on
 - i) Standards Fund 5A in 2006/7
 - ii) the Buyback Account 2006/7 Outturn and Budgets for 2007/8 onwards
 - iii) Proposed meal selling prices from September 2007.

2 HCC policy context

Funding and responsibility for the provision of school meals is delegated to schools.

A large majority of primary and non-residential special schools take part in a "buy-back" arrangement under which the service is provided by Hertfordshire Catering, part of Hertfordshire Business Services (HBS).

The basis of operation of the Primary School meal service under "buy-back" was agreed by Schools Forum in October 2004.

Under this basis of operation, HBS and CSF jointly report to and are accountable to Schools Forum for the provision of the service under "buyback". In particular, any increase in meal selling prices above inflation must be agreed by Schools Forum.

Since the agreement in 2004 on the way in which the operation of the buyback account should be reported to Schools' Forum there have been significant changes to the way the service is viewed by government and a number of pressures are now affecting the delivery of the service.

A 3 MAJOR PRESSURES FACING THE SCHOOL MEALS SERVICE

3.1 **Background**

Schools' Forum has received a number of reports over the past 2+ years on the school meals service as it has changed from a contracted service delivered by a DSO, to one which is seen by government as instrumental in improving the health and nutrition of children. This was originally brought into sharp focus by the series of television programmes presented by the celebrity chef Jamie Oliver which caused widespread consternation at the poor standards of food and nutrition delivered by some school meals provision and caused the government to introduce increasingly stringent mandatory nutritional standards and to provide a measure of funding to support these. Although Hertfordshire has a long tradition of supporting healthy eating within its school meals service and has always turned its face against some of the worst examples of mass produced cheap food there are nonetheless very significant issues in delivering school meals to the required standard whilst retaining the viability of the service. This is exacerbated by the poor state of many of the kitchens with the need to update much of the equipment to support the healthy eating agenda, and by the difficulty of recruiting and retaining skilled staff in what is, in most of Hertfordshire, a highly competitive labour market.

Schools' Forum is aware that the government has recognized that what is described above are issues faced by school meals services across the country and last year announced a number of funding initiatives focussed on improving school meals in the following areas:

- Increasing the value of the 'Food on the Plate'
- Improving and modernising kitchens and kitchen equipment
- Improving the skills base to enable more dishes to be prepared from base ingredients and in line with the revised mandatory nutritional standards

This funding extends over 6 years from 2005/6 to 2010/11 and is focused on assisting in the delivery of a high quality sustainable school meals service and delivered through two Standards Fund Grants, 5A and 5B.

However this money only goes some way towards addressing the issues facing the service and this part of the report is intended to set out the position, to start the consultation process with schools' forum on the way forward and to work with them on managing the issues in order to maintain a quality, viable school meals service.

4 Nutritional Standards and the Healthy Eating Agenda

4.1 Schools Forum will be aware from previous reports of the measures that have been implemented by Hertfordshire Catering to address the requirement to meet the government nutritional standards. The menu regime implemented in October 2006 complied fully with the standards and, in addition, provided a nutritional analysis which was not required until 2008, the value of the 'food on the plate' is in line with government requirements at 52p and take up in March, at 45%, is back to the levels it was achieving before the impact of the Jamie Oliver television series. However there are a number of pressures that could affect the ability of Hertfordshire Catering to maintain this momentum and remain within budget.

4.2 Local sourcing and sustainability – there is significant pressure to move towards more sustainable food procurement and to source more foods in the locality. It is difficult to arrive at a pragmatic solution to this as, not only are there widely varying interpretations of 'sustainable' in this context, but local sourcing can present cost and logistics issues which can lead to inconsistent standards. There are some high profile and well publicized examples of individual schools across the country with crusading, entrepreneurial catering managers who are providing high quality meals using local sources. Unfortunately this is very difficult to replicate across an authority the size of Hertfordshire, where the scale of the requirement for both foodstuffs and skilled staff and the need for consistency mean that a more structured solution is necessary. However a number of initiatives are successfully in place – locally reared pork from Suffolk, apple juice from Cambridgeshire, fish certified by the Marine Stewardship Council and, as from the beginning of this term, menus that reflect the growing seasons, thus reducing food miles. This is very much work in progress and further measures to increase the sustainability of the school meal offered in Hertfordshire and remain cost effective are under development.

4.3 Choice to the end of service – Where a school offers a choice of menu there has always been a balance between the need to prevent waste whilst offering the last to be served the same choice as those at the beginning of service. Although experience means that it is usually possible to assess the approximate likely take up of all options and cater accordingly, it is not possible to be 100% accurate and full choice to the end of service cannot be provided without factoring in some overprovision. Typically an overprovision of 10% is now being planned into menu management for schools offering a choice of menu but this clearly has a cost implication which has to be managed within the overall budget. Alternatively schools are moving to a 'Pupil's Choice' menu where meals are chosen in advance and the catering manager can then cater for the known, exact numbers of individual meals. The implementation of "Pupil's Choice has generally led to a significant increase in take-up.

4.4 The increasing stringency of the standards – there is a clear message that the provision of food in schools will become increasingly regulated. Proposals are already well advanced to restrict any break time provision to exclude cakes and biscuits which may only be served at lunch time as part of a meal. Whilst this is due to be introduced in September 2007 and aimed initially at secondary schools, where it is likely to have a very significant impact on the

viability of the service, this is also a clear pointer to the ongoing focus of the standards. HCC, through Lin O'Brien, Head of Hertfordshire Catering, is a member of the School Food Trust and will be continuing to influence the debate and feed back on issues as they arise.

In addition the government has indicated that it is expecting uptake of school meals to increase by 4% by 2008 on the 2005-6 take up, which, for Hertfordshire was 41%. Although Hertfordshire Catering are currently at 45% take up, this will probably not be replicated in the summer term for a variety of non service related reasons and therefore this will be a challenging target to meet. It may be some comfort to note that many authorities are still struggling to get back to the 2005-6 levels and will find these new take up targets extremely difficult.

- 4.5 Freshly prepared food from base ingredients – one of the major features of the increase in interest in school nutrition is the move back to the preparation of foods from base ingredients and the reaction against over processed foods with unacceptable levels of fat, salt, sugar and additives. This has big implications for the service – it requires a level of skill that is not generally available in the labour market, it requires sourcing of the right quality ingredients and it requires increased hours in the kitchens – all of which have significant cost implications. This is dealt with more fully in the next section.
- 4.6 Hertfordshire Catering believe that they can continue to meet nutritional standards and to maintain take up within the agreed costs for the foreseeable future. However this assumes that the nutritional standards develop in a way that enable Hertfordshire Catering to continue to serve food that their clientele will accept.

5 Maintaining a trained and motivated workforce

- 5.1 One of the major issues facing the school meals service is the problems caused by the de-skilling of the workforce in the years when cost savings rather than nutritional excellence were the main requirement. Although Hertfordshire did not take the route of several other authorities and reduce school meals provision to the statutory minimum (provision of free school meals to eligible pupils only) the removal of statutory nutritional standards in the early '90's and the inclusion of school meals in the functions covered by CCT meant that the savings and cost management available from pre-prepared foods could not be ignored. In addition the social changes that particularly affected the role of women in the work-force, and the way in which basic cooking skills ceased to be included in many school curricula meant that the traditional pool of trained labour that was the core of the school meals work force was much diminished. In order to address this issue Schools Forum have agreed that a proportion of the monies allocated by government in the recent round be devoted to training, but this is only part of the problem. It is also vital to have a constant supply of capable and committed people who, with good training and support can deliver the service into the future, maintain and increase uptake and ensure consistency and excellence.
- 5.2 In order to achieve this it has been recognized that a full review of the staffing structure of Hertfordshire Catering would be required. This commenced last

year with the retirement of the previous Head of Service, Ruth Willcox and the appointment of Lin O'Brien as her successor. Lin has undertaken a full review of the management arrangements and has put in place a team with specific managers holding the responsibility for each of the major issues facing the service

The next stage of the review is to look at the organisation in the individual kitchens and start to address more fundamentally the recruitment issues that are affecting Hertfordshire Catering's ability to attract, retain and progress catering staff. The current structure still reflects a situation where the skills required were more targeted on cost management than on cooking and staff management skills, although clearly the management of costs remains an important part of the package. This has resulted both in a high turnover of staff (around 25%p.a.) and an increasing reluctance for kitchen general assistants to apply for promotion to Cook or Catering Manager because the differential in pay does not reflect the extra responsibilities of the post.

- 5.3 To address this a process of job evaluation is under way that has identified a number of generic catering posts which will be taken through the HAY process in order to determine an equitable level of remuneration for the changed responsibilities of the posts. One of the challenges that will need to be covered is how exceptional performance is rewarded e.g. significant increases in take up. This is work in progress – the HAY process is expected to take place during June and a further report once the results of the job evaluation process is known will be made to the Schools' Forum along with proposals on how this could be implemented and how any cost implications will be managed. The current assumption is that the costs can be absorbed within existing school meal budgets through efficiencies and other measures.

6 The fabric of the kitchens and the impact of legislation

- 6.1 It was reported to Schools' Forum in February that Environmental Health Officers (EHO's) are taking an increasing interest in the condition of school kitchens. Recent food safety legislation means that the standards applied to commercial premises have now been extended to the public sector, along with a requirement to publish the findings of EHO reports, known as 'scores on the doors'. EHO's publish their findings on a simple 1-4 rating system, where category 1 is non compliant. The EHO reporting regime includes, in addition to the hygiene and food handling procedures in place, an assessment of the extent to which the condition of the kitchen fabric and equipment complies with current legislation and it is this latter where schools are most vulnerable. Hertfordshire County Council has for many years followed a policy of providing a kitchen in every school and, whilst this has been helpful in setting and maintaining the standards of school meals for which it is highly regarded, it has brought with it significant issues with regard to the maintenance of this infrastructure. This is exacerbated by the increasing stringency of the regulatory regime which requires much higher standards of ventilation, gas safety and health and safety generally than were envisaged, or available, when the kitchens were designed and installed. A condition survey of school kitchens in Hertfordshire has been undertaken and has identified a number of schools with a potential score of 1 - i.e. non compliant. The implications of this are currently being assessed as discussions with the home EHO have

indicated that, although they are sympathetic, any failure to put in place a proper remedy programme may result in the closure of kitchens. Mike as per our discussion need also to point out that some of this work relates to school responsibilities for R&M – need to confirm as part of this what are school responsibilities and what central budgets cover as per 7.1 It is possible that the need to deal with the issues of non compliant school kitchens will present a pressure on next year's budget, and this will be dealt with at the time as the scale and extent of any such pressure becomes clearer. It should be noted that the issues of compliance relate to all schools and not just those who have their provision managed by Hertfordshire Catering and the subsequent report to Schools' Forum will reflect this.

B 7 Annual Report on the operation of the Buy Back account

7.1 School Meals Funding Regime

Responsibilities for school meals delegated to schools include:

Energy and water costs

Banking and certain administrative functions

Refuse collection and pest control

Lunchtime supervision

Repairs and maintenance of the exterior envelope of the building

Internal maintenance and decoration of the premises

Responsibilities covered under Buy Back include:

Equipment maintenance, repairs and servicing

Provision of facilities for pupils bringing sandwiches/packed lunches from home

Contract management costs

Funding for free meals

Provision of the paid meal service

Cleaning and servicing of the dining areas

Apart from the delegated funds which become part of the Buy Back account, the Government has allocated Standards Fund 5A which goes to the LEA and Standards Fund 5B which is goes to schools.and does not currently form part of the Buy Back arrangements.. Both sets of funding will continue until at least 2011 but current indications are that from 2008 the basis will be changed and neither 5A nor 5B will be delegated. All the funding would go to LEAs with a concentration on food and the food on the plate.??repeating

There is also a non delegated Kitchen Equipment Capital Budget which is managed by Hertfordshire Catering on behalf of all LEA schools (including VA). Schools remain responsible for the fabric of the kitchen.What does this cover?

7.2 Standards Fund 5A

The Government has given funding over the three years 20005/6, 2006/7 and 2007/8 intended to assist in the delivery of a high quality sustainable school meals service. As set out above, the Government has also announced a continuation of the funding from 2008/9 to 2010/11. Hertfordshire's Standards

Fund 5A totals £1,070,000 in each of 2006/7 and 2007/8, of which it has been agreed by Schools Forum an element would be devolved to Secondary Schools.

- 7.2.1 After devolution, the sums available to support the Primary and non-residential Special School service in the Buyback Operating Account are:

	£000
2006/7	825
2007/8	825

Schools Forum have previously agreed the top priorities for the use of grant funding as an increase in the cost of food on the plate and an increase of 2.5 hours per kitchen for preparation and training.

The cost of food on the plate was increased to 45p during the Summer Term 2005, and to 50p during the Autumn Term 2005. It was further increased to 52p from September 2006. 2.5 additional hours per kitchen for preparation and training have been phased in and a new menu has been launched. As well as improving the standard of the service significantly, this has also meant that take-up of meals is now running at 45%, the same level as prior to “Jamie Oliver” and significantly better than that in many comparable authorities.

With the nutritional standards and government recommendations for more traditional cooking, together with parental pressure along the same lines, there is a strong need to address the skill base of existing staff. At the same time, recruiting and retaining skilled staff remains difficult and therefore the training of new staff to the required standards is also important. The requirement for all staff to have a greater understanding of ever increasing food safety legislation, health and safety along with nutrition and healthy eating knowledge requires more in depth training. Having had no dedicated training team for several years, the need has been identified to appoint a Training Manager to develop and implement a training strategy for the service. The training manager has been appointed and her first task will be to identify a training strategy and the resources necessary to implement it. The three year budgets below allow £236,000 per annum from 2007/8 onwards to meet these costs.

The forward budgets in Section 4 below assume the full application of grant in 2007/8 and 2008/9.

8 Buyback Account 2006/7 Outturn and Forward Budgets 2007/8 onwards

- 8.1 The school meal service is provided for 396 Primary and Nursery and 19 Special Schools by Hertfordshire Catering under a “buyback” arrangement.

8.2 The Operating Account for the “buyback” arrangement in 2006/7 together with the proposed budgets for 2007/8, 2008/9 and ongoing is as follows:

Buyback Operating Account –

1. Meal Service	2006/7 Actual	2007/8 Budget	2008/9 Budget	2009/10 Budget
<i>(Trading Days</i>	188	190*	190*	190*)
No of meals served	6,537,831	6,700,000	6,700,000	6,700,000
Income	£000	£000	£000	£000
Delegated Budget “Handed back”				
Per Free Meal	(2,025)	(2,126)	(2,126)	(2,126)
Contract Management	(96)	(98)	(98)	(98)
Paid Meals	(8,464)	(8,810)	(8,942)	(8,942)
Government Grant Applied 2006/7	(825)	(825)	(825)	(825)
Total Income	(11,410)	(11,859)	(11,991)	(11,991)
Costs				
Meals Provided	11,207	11,892	11,892	11,892
Contract Management	96	97	97	97
Total Costs	11,303	11,989	11,989	11,989
Net (Surplus)/Deficit for the year	(107)	130	(2)	(2)
Balance b/f	(199)	(306)	(176)	(178)
Balance c/f	(306)	(176)	(178)	(180)
2. Kitchen R & M				
Delegated Budget “Handed Back”	(555)	(572)	(572)	(572)
Govt Grant Balance 2005/6	(334)			
Expenditure	715	885	572	572
Balance b/f	(139)	(313)	-	-
Balance c/f	(313)	-	-	-

TOTAL BALANCE C/F	(619)	(176)	(178)	(180)
------------------------------	--------------	--------------	--------------	--------------

* average days per annum – actuals will vary.

- 8.4 The following assumptions have been made:
1. Full allocation of Standards Fund 5A each year
 2. Costs from 2007/8 are at 2007/8 prices
 3. Income for paid meals is at current prices until July 2007, increasing by 3% from September 2007 onwards
 4. Take-up increases sufficiently each year to offset falling school rolls.
 5. The full £236,000 potential costs of the training strategy referred to above and previously agreed by Schools Forum will apply for 2007/8 onwards.
 6. The cost of food on the plate is increased from the current 52p to 55p. from September 2007.

8.5 On these assumptions there is a surplus of £180,000 at the end of 2009/10. As 2009/10 approaches, the position can be reviewed and a decision made as to whether it is possible to increase the cost of food on the plate, keep prices down or invest further in kitchens or staff hours.

8.6 For kitchen R &M, the budget for 2007/8 assumes expenditure of £885,000 – in other words that the balance of Standards Fund from 2005/6 is spent on priorities in that area as previously agreed with Schools Forum.
What are we planning to do post 2010/11 – there is a government assumption that we will be self-sufficient by then – how are we planning to work towards it – otherwise we will have an £850k hole in the budget.

9 Benchmarking

9.1 The following are the Primary Selling Prices as at September 2006, as reported to a LACA ? Benchmarking Group:

Surrey	£1.60
Hants	£1.80
Herts	£1.60
Cambs	£1.75
Devon	£1.65
Suffolk	£1.80
Notts	£1.48
Oxon	£1.80
Staffs	£1.65

Our conclusion from this is? This seems to indicate that there is capacity to increase the prices by more than 5p to give us a buffer against some of the costs.

10 Meal Selling Prices from September 2007

10.1 After the increases in food costs and kitchen hours, the cost of each meal (whether free or paid) is as follows (2006/7 prices):

Food	52p
------	-----

Cleaning Materials	2p
Direct Labour	92p
Overheads*	28p
TOTAL	174p

* Overheads include Quality Monitoring, Light Equipment, Uniforms and Management.

- 10.2 The current average Primary meal selling price is 160p. The 14p difference between the selling price and the cost is met partly from delegated funding and partly from government grant.
- 10.3 Selling Prices are normally increased from September and therefore a decision needs to be made now on the Options for September 2007.

The forward budgets in Section 4.3 above assume the increase from September 2007 will be in line with inflation as follows:

	Current	Proposed + 3%
Nursery	150p	155p
Primary	160p	165p

- 10.4 This would enable the cost of food on the plate to be increased to 55p (an increase of 6%).
- 10.5 Prices for Adult Paid meals normally increase in line with pupil meal prices. However, the price for adult paid meals increased from £2.00 to £2.10 including VAT from September 2006 – an increase of 5%. The expectation was that there would then be no increase from September 2007.
- 10.6 Although the budgets as laid out can be delivered by increasing the cost of the meal by inflation only, section A of this report set out the pressures that are currently facing the service and which are likely to have financial implications for its ongoing viability. As these implications are quantified it is possible that a further increase could be sought from January 2007.

11 Recommendation

That Standards Fund 5A be spent as set out above, including the spending of balances not required for food on the plate or additional hours on kitchen repairs and maintenance as set out at 3.4

That the selling price be increased by inflation to £1.55 (Nursery) and £1.65 (Primary) from September 2007

That the selling price of adult paid meals remain at £1.79 plus 31p VAT (i.e.£2.10) from September 2007.

That the issues relating to Nutritional Standards, Retention and Recruitment of staff and the condition of school kitchens be noted in anticipation of further reports to the forum as the implications of addressing them become clearer.