


<p>Individual Mayoral Decision</p> <p>24th August 2020</p>	 <p>TOWER HAMLETS</p>
<p>Report of James Thomas, Corporate Director Children's and Culture Directorate</p>	<p>Classification: [Unrestricted]</p>
<p>Individual Mayoral Decision: Contract Services Primary School Meal Price Increase for September 2020</p>	

Lead Member	Councillor Candida Ronald - Cabinet Member for Resources & the Voluntary Sector Councillor [Name], Cabinet Member for [Post]
Originating Officer(s)	Ronke Martins-Taylor, Divisional Director Youth and Commissioning Jenny Pittam, Interim Head of Contract Services
Wards affected	N/A
Key Decision?	No
Forward Plan Notice Published	N/A
Reason for Key Decision	Financial Threshold - ensuring best value for the Council
Strategic Plan Priority / Outcome	A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.

Executive Summary

This IMD is required because since UIFSM were introduced in September 2014, the price of a Primary School meal in Tower Hamlets has been pegged to the UIFSM price of £2.30. Following an announcement on the 14th July 2020 by the Education and Skills Funding Agency (EFSA) schools will now be funded £2.34 for each meal served to young children under the universal infant free school meals (UIFSM) scheme. UIFSM's provides funding for all government funded schools to offer free school meals to pupils in reception, year 1, and year 2. As a result of this increase, this report sets out a request to increase the Tower Hamlets Primary School meal price from £2.30 to £2.34 in September 2020 for KS1 and KS2 pupils including Mayors free meals and all eligible free school meals.

Over the last six years labour, food, and energy costs have increased significantly. Contract Services have also had to absorb a two year pay deal in 2018 and 2019 where all lower paid employees working for Contract Services benefitted from a 20% pay increase. These rising costs have had a detrimental impact on the cost structure of all Contract services and has contributed to the deficit position that it now faces.

Various proposals have been put forward to the Primary Schools' Headteachers' Consultative forum to increase the meal price above £2.30. However, these requests have been rejected on the grounds that schools would not be prepared to subsidise the Government UIFSM programme. It was also considered inappropriate to have a two-tier primary meal price for Mayors KS2 meals and eligible FSM pupils.

It is important to note that the requested 0.04p price increase will not result in any costs to schools or parents/pupils. The request for the increase simply enables the Service to claim all of the Government subsidy available.

Contract Services have introduced measures such as working closely with key suppliers, revising menus and introducing new technology to mitigate increases in staffing and food costs. However, against a background of an increasingly fragmented sector, the impact on the service from COVID-19 and the uncertainty brought about by Brexit, delivering a hot nutritious meal is becoming increasingly financially challenging.

It is understood that the EFSA will allocate the £0.04 increase at the beginning of the academic year 2020. Any increase in price will have a positive impact on the 2020/21 financial outturn of Contract Services. This also assumes that the Mayor's Free School Meal Programme for KS2 pupils also absorbs the £0.04p increase in the meal price from September 2020.

Risks

1. If this recommendation is not accepted, then the additional £0.04p funding will accrue to those schools that have a Catering SLA with Contract Services.
2. If the recommendation set out in this report is not supported, then the 2020/21 budget deficit for Contract Services will continue to increase at a greater rate.
 - that this will not mean any effective increased cost for schools or parents/pupils – it just allows us to claim all of the govt subsidy available.

Recommendation:

The Mayor is recommended to:

1. Approve the increase in Contract Catering Services Primary School meals price from September 2020 to £2.34 following the EFSA announcement to increase the UIFSM funding for KS1 pupils in all primary schools to £2.34.

1 REASONS FOR THE DECISIONS

- 1.1 Contract Services manages catering services for the provision of school meals. Rising costs, for items such as food, have had a detrimental impact on the financial outturn of Contract Services and has, in part, contributed to the deficit position of the Service. The additional income generated from an

increase in the school meal price is necessary to sustain the Service; and it will ensure that every primary school pupil is provided with a healthy lunchtime meal that supports the objective to reduce childhood obesity.

2 ALTERNATIVE OPTIONS

- 2.1 Increase the meal price in line with the Council's agreed fees and charges in April 2021. This is not recommended as this will not improve the financial pressure currently reported for Contract Services and instead the additional £0.04p funding will accrue to schools that have an SLA Contract with Contract Catering Services.

3 DETAILS OF THE REPORT

On 14 July 2020, the EFSA announced the funding allocation for the universal infant free school meals (UIFSM) grant 2020 to 2021 under Section 14 of the Education Act 2002. This represents a 1.7% increase on the current £2.30 funding for each UIFSM. The Government will pay schools £2.34 for each meal served to young children under the UIFSM scheme. The UIFSM provides funding for free school meals to pupils in reception, year 1, and year 2.

This IMD is required because since UIFSM were introduced in September 2014, the price of a Primary School meal in Tower Hamlets has been pegged to the UIFSM price of £2.30. As a result of the increase in UIFSM funding, this report sets out a request to increase the Tower Hamlets Primary School meal price from £2.30 to £2.34 in September 2020 for KS1 and KS2 pupils including Mayors free meals and all eligible free school meals.

Over the last six years labour, food, and energy costs have increased significantly. Contract Services also had to absorb a two year pay deal in 2018 and 2019 where all lower paid employees working for Contract Services benefitted from a 20% pay increase. These rising costs have had a detrimental impact on the cost structure of all Contract services and has contributed to the deficit position that it now faces.

Various proposals have been put forward to the Primary Schools' Headteachers' Consultative forum to increase the meal price above £2.30. However, these requests have been rejected on the grounds that schools would not be prepared to subsidise the Government UIFSM programme. It was also considered inappropriate to have a two-tier primary meal price for Mayors KS2 meals and eligible FSM pupils.

It is important to note that the requested 0.04p price increase will not result in any costs to schools or parents/pupils. The request for the increase simply enables the Service to claim all of the Government subsidy available.

The Lead Association for School Caterers (LACA) have been lobbying the Government for an increase to £2.51 advocating that this is in line with inflation, as stated by the IFS (Institute for Fiscal Studies). In addition, the

Association for Public Service Excellence (APSE) in their Performance Networks data highlighted that the average direct costs per lunchtime meals for primary and special schools in real terms school meal costs, have increased from £2.20 in 2014/15 to £2.53 in 2018/19.

Contract Services have introduced measures such as working closely with key suppliers, revising menus and introducing new technology to mitigate increases in staffing and food costs. However, against a background of an increasingly fragmented sector, the impact on the service from Covid-19 and the uncertainty brought about by Brexit, delivering a hot nutritious meal is becoming increasingly financially challenging.

It is understood that the EFSA will allocate the £0.04 increase at the beginning of the academic year 2020. This will have a positive impact on the 2020/21 financial outturn of Contract Services. This also assumes that the Mayor's Free School Meal Programme for KS2 pupils also absorbs the £0.04p increase in the meal price from September 2020. However, due to Covid-19 and the expectation around increased unemployment numbers, it is predicted that there will be an increase in the number of pupils eligible for statutory FSM's and this could mitigate the increased cost of the Mayors programme.

Risks

1. If this recommendation is not accepted, then the additional £0.04p funding will accrue to those schools that have a Catering SLA with Contract Services.
2. If the recommendation set out in this report is not supported, then the 2020/21 budget deficit for Contract Services will continue to increase at a greater rate.

Conclusion

The additional income generated from an increase in school meals income is necessary to sustain the Service and it will ensure that every primary school pupil is provided with a healthy lunchtime meal which will support the priority to reduce childhood obesity.

4 EQUALITIES IMPLICATIONS

- 4.1 There are no equality implications.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,

- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The Government will allocate the increase of £0.04 from £2.30 to £2.34 at the beginning of the academic year September 2020. Should the meal price increase in September 2020 by £0.04p, approximately £92k will be generated from Primary meal sales until the end of March 2021 (Based on approximately 2.3 million Primary meals taken in the same period in 2019/20). This will manage some of the pressure currently reported for Contract Services in 2020/2. This also assumes that the Mayors programme for free meals for KS2 pupils also absorbs the £0.04p increase in the meal price from September 2020.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The Council has entered into an SLA with each of the schools to provide the relevant school meal. Following considerable discussion with the schools the Council took the decision to set the price of an infant school meal at £2.30 as this was the same level as the then current universal infant school meal cost. In so doing the Council had taken the decision to absorb the difference between the actual cost of the provision of the meal and the sum funded to the school for the meal by central government. This ensured that the schools would not accrue a deficit in respect of the cost of the provision of the meals. Instead this deficit would accrue to the Council. Therefore, in keeping with the practice the cost to the school of the school meal should also change by the same amount as the sum funded by central government to the school has increased leaving the schools in the same cost neutral position.
- 7.2 As a legal technicality the SLA might be considered a legally binding contract although this is unlikely. The schools have a mixed legal identity. In some aspects schools are considered to be separate legal entities and in other aspects schools are considered part of the Council's body corporate. There is a long held legal principle that one cannot have a legally binding contract with oneself. Therefore, in as far as schools are part of the Council's corporate entity the SLA would not be legally binding. This means that the Council is free to alter the cost of the provision of the relevant meal should it so wish.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

Officer contact details for documents:

- N/A