

Children's
Services

Children and Young People Select Committee Education Catering: Service Options Review

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The Education Catering (EC) service

At the start of this autumn term, the County Council's in-house Education Catering (EC) service was providing meals services to :

- 369 schools in Hampshire
- 31 schools in other local authority areas
- 33 Hampshire nurseries/pre-schools.

EC also provides

- catering equipment maintenance, repair and replacement service for 402 schools under a pooled fund arrangement
- Free School Meals eligibility checking service to 506 schools
- Calshot Activity Centre residential catering.

Why are we proposing to withdraw from this market?

- Significant loss of business, as schools choose to source their meals from other caterers.
- To enable schools and parents to buy a lower cost service, relieving financial pressure on school budgets and Hampshire families.
- The County Council cannot compete in the marketplace.
- Recognising that a private sector market already exists in Hampshire and is expanding.
- School meals will continue to be available to all pupils across Hampshire, including those eligible for free school meals.
- Protecting the County Council from financial risk, EC forecast deficit of >£1million a year.

Forecast Financial Deficit					
	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Realistic	1,189	1,309	1,473	1,638	1,658

Key Variables for Forecast					
	24/25	25/26	26/27	27/28	28/29
Loss of schools (%)		10%	10%	10%	10%
Food cost per meal (£)	0.94	3%	3%	3%	3%
Pay award - catering staff (%)	7%	3%	2%	2%	2%
Pay award - support staff / operations managers (%)	3%	3%	2%	2%	2%
Increase in meal price (%)	3%	3%	3%	3%	3%

Statutory requirements for school meals

- Schools are responsible for the provision of school meals and must provide a school lunch for pupils who are eligible for free school lunches.
- This includes:
 - Income assessed free school meals (FSM)
 - Universal Infant Free School Meals (UIFSM) for key stage 1 pupils.
- Maintained schools have delegated responsibility for entering into arrangements for providing free school meals.
- If the meal arrangements break down in maintained schools, the duty to provide those meals still ultimately sits with the local authority.
- Within that duty there is no requirement for the County Council to provide an in-house school catering service.

The school meals market

- Schools make the decision on how to provide their school meals.
- At least 17 private sector suppliers currently provide meals to schools in Hampshire.
- Other suppliers not previously operating in Hampshire are being awarded contracts by schools over the next few months. The size and diversity of the private sector market operating in Hampshire continues to expand.
- 38 Hampshire schools (secondary schools and larger primary schools) run their catering service in-house.
- Nationally:
 - 36% of local authorities are not involved in the provision of school meals
 - 23% manage contracts with the private sector on behalf of schools
 - 41% provide schools meals through an in-house service (or an arms-length organisation)
 - Other local authorities are currently known to be reviewing their in-house service or have decided to close or outsource (some of these are not yet in the public domain).

Changes in EC's market share

- EC's market share has been reducing in recent years.
- By September 2025, EC will have lost business with 168 schools since April 2022.
- This is a 34% reduction in customers over 42 months.
- 139 of these are Hampshire schools, which is a 31% loss of business in Hampshire.
- Some of this loss of business is also due to EC giving notice, or not re-tendering, for schools outside Hampshire which are no longer commercially viable.
- The main reason given by schools leaving the service is that they are seeking lower prices from the market.
- More schools are expected to give notice in the coming months, with another 60 schools enquiring about leaving the service, but not yet given formal notice.

Why is this happening?

- EC's cost are higher than the private sector due to staff terms and conditions, lower economies of scale and less purchasing power.
- School meal funding is not keeping pace with rising costs:
 - Since 2014, the National Living Wage has increased by 56% and food inflation has risen by 27%.
 - Government funding for Universal Infant Free School Meals (UIFSM) has increased by only 10% since its introduction in September 2014.
- EC has had to increase the school meal price to £3.00 in June 2023 and to £3.20 in September 2024.
- The current EC meal price is 67 pence higher than the UIFSM funding to schools (£2.53 per meal) and 62 pence higher than the FSM funding (£2.58 per meal).
- Schools which buy into the EC meals service need to subsidise the provision of school meals from other areas of their school budgets.
- The private sector may provide meals at lower cost, with prices in Hampshire currently between £2.40 to £3.00 per meal.

Options reviewed

- Further in-house service efficiencies, including reduced menu options and lower catering staffing ratios.
- Providing catering services to the Holiday Activities and Food (HAF) programme.
- An alternative service delivery vehicle (e.g. wholly owned Local Authority trading company).
- Regeneration meals; either cook/chill or cook/freeze preparation in a production kitchen, with meals regenerated in school kitchens.
- Closure of EC and schools arrange or procure their catering service with advice and support from the County Council.
- A managed outsource of the EC service procured directly by the County Council on behalf of schools which opt into this contractual arrangement.

Engagement with schools – the approach and responses

- A five-week engagement was undertaken directly with existing EC customers (schools and nurseries in Hampshire) from 6 September to 11 October 2024.
- This engagement sought to gain customers' views on the proposals to:
 - discontinue the supply of meals
 - to discontinue services to maintain catering equipment.
- 60% of customers responded.
- 66% of respondents disagreed, and 18% agreed, with the proposal to discontinue meal supply.
- 77% of respondents disagreed, and 12% agreed, with the proposal to discontinue the equipment maintenance service.
- 73% of respondents were interested in the proposed arrangement for the County Council to secure and manage the supply of meals ('managed outsource'). A further 7% were undecided.

Engagement with schools – comments and issues raised

- The main reasons for disagreement with the proposals were:
 - the added burden of responsibility and risks of procuring and managing alternative supplier contracts
 - a lack of capacity and capability to undertake that work
 - the distraction from core business
 - the uncertainty of a successful outcome in the short or long term
 - the financial risks around the withdrawal of catering equipment services
 - smaller schools expressed concerns in terms of their capacity to manage their own arrangements and their vulnerability to the market.
- Some respondents expressed concerns with the current EC service:
 - the current pricing (particularly the gap between the meal funding and the EC meal price)
 - reduction in portion size
 - reduction in service quality.

Engagement with schools – potential benefits identified

Respondents mentioned some potential benefits of the proposals:

- Some evidence from other schools who have sourced alternative suppliers of cheaper meals which may help schools realise savings by reducing the gap between meal price and the funding for free school meals.
- Potential cheaper meals leading to savings for families who pay for them.
- An opportunity for schools to innovate.

Preferred option for service delivery

- The managed outsource is recommended as the service delivery model for school meals.
- This takes account of the feedback from the customer engagement.
- Helps to address, and mitigate, the potential negative impacts identified by schools.
- The implementation cost of a managed outsource is lower than service closure.
- It will protect the County Council from a forecast additional financial pressure of over £1 million a year.
- Recognises the loss of business for EC and that the private sector are able to provide meals at a lower price.
- The in-house service is unable to compete in the market.
- There is sufficient capacity and interest in the private sector catering market in Hampshire.
- Pupils will continue to have school meals, which meet the school food standards.

Implications for EC staff

- All kitchen catering staff (c.1,270) will transfer to the new caterer(s) under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
- This may be to suppliers procured directly by schools, the managed outsource supplier(s), or to schools who choose to provide the catering service themselves.
- Suppliers will need to have 'admitted body' status to the Local Government Pension Scheme (LGPS) or provide a broadly equivalent pension scheme.
- EC staff will remain eligible for the LGPS or equivalent when transferring to a new supplier and carrying out the same role.
- Majority of EC management and support staff (currently 137 staff) will transfer to the managed outsource supplier.
- May be a small number of compulsory redundancies for staff who do not meet the TUPE criteria (if many schools make their own arrangements and do not join the managed outsource).
- The County Council would manage these arrangements in accordance with HR policy.

Catering equipment maintenance

- The Catering Support SLA for the maintenance, repair and replacement of catering equipment has been under review in recent years prior to the main EC options review.
- Increased costs and loss of schools has made the SLA unviable, with service levels being reduced to fit within the funding envelope.
- This service will need to cease when the EC service outsource is completed.
- The private sector does not currently operate this type of pooled fund, though some suppliers may agree to invest in new equipment.
- Schools will retain the funding that they currently use to buy into the pooled fund to maintain their own equipment.
- The County Council will provide guidance to schools on how to maintain equipment.
- Our County Supplies service has compliant and best value framework agreements available for schools to use for the maintenance and replacement of catering equipment.

Supporting schools with their school meals

- The County Council is providing a detailed guidance and information pack to schools on the following options for their school meals:
 - How to join the County Council's managed outsource contract and next steps
 - Requesting support from County Supplies to assist schools with procuring a supplier
 - How schools can set up and run their own catering team in-house
 - Procuring their own catering supplier using existing national framework agreements.
- The guidance covers topics such as TUPE, LGPS, statutory requirements, food standards, procurement regulations and processes etc.
- Schools are free to choose the option they prefer; they will not all choose to join the managed outsource.
- The County Council will continue to provide the following services to schools:
 - online eligibility checker system for income-based free school meals (FSM)
 - the option to join the managed outsource contract for school meals
 - County Supplies' framework agreements for catering services, food, catering equipment purchase and equipment maintenance.