

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Lead Member for Children's Services and Young People
<b>Date:</b>	16 September 2020
<b>Title:</b>	School Meal Price from November 2020
<b>Report From:</b>	Director of Culture, Communities and Business Services

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### Purpose of this Report

1. The purpose of this report is to provide the information required by the Executive Lead Member for Children's Services and Young People to approve the price of school meals provided by the County Council's in-house catering service, HC3S, to Hampshire primary schools from November 2020.

### Recommendations

2. That the Executive Lead Member for Children's Services and Young People approves that:
  - the guide price of a primary school meal provided by HC3S will be increased to £2.50 from November 2020.
  - the charge to schools for those meals which are provided by HC3S under the Government's Universal Infant Free School Meals funding will be increased to £2.40 per meal from November 2020.

### Executive Summary

3. This report outlines the reasons for the recommended increase in the guide price of HC3S school meals of 10 pence from November 2020 and explains the different charging arrangements that are recommended for paid meals, income based free school meals and meals funded through the Government's Universal Infant Free School Meals funding.

## Contextual Information

4. The recommendation is predominantly for primary schools as the same two course menu is provided for these pupils, regardless of whether the child is entitled to a free meal or not. Most secondary schools operate a food court style service allowing students to choose both food and price point as items are priced individually.
5. Each year the price of the income based free school meal (FSM) is reviewed. In Hampshire, this price has traditionally also been applied to paid meals in primary schools and meals funded by the Universal Infant Free School Meals (UIFSM) grant. There is, however, no statutory requirement to agree a consistent price should alternative arrangements be more appropriate.
6. The FSM meal price will be applied to secondary schools to ensure eligible students can receive a two course meal for the agreed price should they choose to do so.
7. The HC3S meal price was previously increased in September 2019 and this year's review has been deferred until November 2020 due to the impact of the Covid-19 pandemic on schools and Hampshire residents.
8. The County Council does not subsidise the cost of school meals in Hampshire. The price of school meals is based on the estimated cost of providing a school meal for the next 12 months, as calculated by HC3S. This meal price also acts as an advisory guide price for all Hampshire primary schools. HC3S will charge no more than this price in primary schools.
9. HC3S provides healthy and nutritional school meals. Good nutrition plays a vital role in enabling pupils to perform well in school. The service also encourages healthy eating habits, which are essential to combat child obesity. Analysis from the Local Government Association indicates that one in five children are already overweight or obese on entering Reception year and one in three children are overweight or obese by the time they leave primary school. All primary school meals served by HC3S include vegetables or salad, the majority of which are currently sourced from local south coast growers. By sourcing local ingredients wherever possible, the service supports the local economic development agenda and the County Council's carbon reduction strategy through minimising food miles.
10. This focus on quality and sustainability ensures that the meals provided by HC3S meet the standards introduced by the Department for Education in January 2015 which are mandatory for local authority maintained schools. This includes:
  - School menus are nut free.

- Tailored menus are provided for 2,600 children with medically proven food allergies.
- Gluten free products are available across a range of items.
- All fish is Marine Stewardship Council (MSC) approved.
- All meat is UK sourced and holds Red Tractor Assurance accreditation as a minimum.
- All eggs are free range.

## Finance

11. The price of a primary school meal is based on the forecast cost of providing a hot two course meal (main and dessert) from November 2020. School meals are outside the scope of VAT, provided that, overall, they are being supplied 'at or below cost'. Ensuring the price of school meals remains outside the scope of VAT helps to keep the price as low as possible for Hampshire residents. The definition of 'at cost' includes relevant and reasonable overhead costs.
12. The forecast full cost analysis for the provision of a primary school meal by HC3S from November 2020 is as follows:

<b>Cost Element</b>	<b>£</b>
Staffing	1.33
Food	0.75
Other direct costs	0.08
Overheads	0.34
<b>Total Cost per meal</b>	<b>2.50</b>

13. The proposed 10 pence increase in the meal price from £2.40 to £2.50 represents a 4.2% price increase. This assumes an estimated increase in staffing costs of 6%, based on a pay award of 2.75%, a 1.3% increase in employer's pension contributions and 1.95% for annual increments (taking account of historic levels of staff turnover). Further food inflationary pressures are also being forecast due to the Covid-19 impact and the potential impact of leaving the EU on 31 December 2020. HC3S is actively sourcing alternatives to single-use plastic across its operations, which are often at higher cost and there may be additional cost pressure in future arising from the Government's plan to introduce a Plastic Packaging Tax from April 2022.

14. HC3S continues to deliver efficiencies, where possible, to offset some of these inflationary pressures. However, with 83% of the cost of producing a school meal being made up of catering staff and food, there are limited opportunities to reduce these costs further without jeopardising food quality and standards. Small changes in costs can have a significant impact on the total cost of the HC3S service. For example, an increase of one penny on the cost of food per meal would cost HC3S an additional £110,172 a year, based on pre-Covid-19 meal numbers.
  
15. It is proposed that the price charged directly to schools by HC3S for the meals which are funded by UIFSM will increase from £2.30 to £2.40 from November 2020. The Government funding to schools is at £2.34 per meal from September 2020 which is an increase for the 2020/21 academic year of 4 pence per meal. However, this is the first increase in the UIFSM funding since its introduction in September 2014.
  
16. All primary school meals provided by HC3S are from the same set menu and they all meet the school food legislation requirement, regardless of whether they are paid meals, FSM or UIFSM. It is therefore considered appropriate to keep the price differential to a maximum of 10 pence per meal.
  
17. The additional cost to the 430 schools for which HC3S provides catering of the difference between the recommended charge of £2.40 and the UIFSM funding of £2.34 per meal is £345,532 for the 2020/21 academic year as shown in the table below.

<b>HC3S planned UIFSM meals for academic year 2020/21</b>	<b>Government funding at £2.34 per meal</b>	<b>Cost at £2.40 per meal</b>	<b>Cost to be covered by schools</b>
5,758,866	£13,475,746	£13,821,279	£345,532

18. For a school with 100 pupils eligible for UIFSM, this difference between the government funding and the meal price would cost the school a maximum of £1,134 a year (based on 100% uptake and 189 school days). Average UIFSM uptake in Hampshire is 68%, therefore the average additional cost would be £771 a year for a school of this size.
  
19. Based on the current business plan budgets, the potential impact for HC3S if the meal price increases were not approved would be a loss of at least £909,000 for the 2020/21 academic year. This would push HC3S into a significant financial deficit for both of its financial years in 2020/21 and 2021/22.

## Performance

20. The number of school meals served in the last few years are shown in the table below.

<b>Annual number of school meals provided by HC3S 2015/16 to 2019/20</b>					
	2015/16	2016/17	2017/18	2018/19	2019/20*
Hampshire Primary Schools	11.3 million	11.6 million	11.3 million	11.1 million	10.5 million
External Primary Schools	0.7 million	0.8 million	0.7 million	0.8 million	0.9 million
Secondary Schools	1.7 million	1.7 million	1.7 million	1.6 million	1.4 million
<b>Total</b>	<b>13.7 million</b>	<b>14.1 million</b>	<b>13.7 million</b>	<b>13.5 million</b>	<b>12.8 million</b>

\*Covid-19 impacted on numbers during March 2020

21. Forecast meal prices for the 2020 autumn term in a sample of other similar local authorities (subject to approval) are:

- Hertfordshire £2.60 for paid meals; £2.40 for FSM; £2.30 for UIFSM
- Surrey £2.40 for paid and FSM; £2.30 for UIFSM
- Lancashire £2.30 for all meals
- Oxfordshire £2.30 for all meals
- Derbyshire £2.20<sup>1</sup> for paid meals; £2.30 for FSM and UIFSM.

## Other Key Issues

22. HC3S continues to be recognised for its excellence in the provision of catering services through the national awards and accreditations that it has

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<sup>1</sup> Historically Derbyshire's school meals service had very low corporate overheads to cover and could keep meal prices low. The County Council is now charging more annually, and the school meals service is having to increase prices to offset their costs.

received over many years and as previously reported. The current and most recent awards and accreditations are:

- Compassion in World Farming: Good Egg, Good Chicken and Good Pig Awards.
- Foodservice Cateys Education Caterer of the Year and winner of the Innovation award (2019)
- Educatering Primary School Caterer of the Year (2019) and Award for Marketing (2018 and 2019).
- Eat Out Eat Well Award – Gold for Hampshire primary schools (2019)
- LACA Marketing Award (2019)
- Allergy Aware accreditation from Allergy UK for catering at Elizabeth II Court, Winchester (2018).
- Allergen awareness accreditation from Food Service Allergen Management Limited for catering at all secondary schools and visitor attractions (2018).
- Re-accredited by the Hyperactive Children’s Support Group with ‘Excellence in School Meals’ (2019).
- Gold Award: ‘FreeFrom Eating Out’ (schools, colleges and universities category) (2016).
- LACA Local Authority Caterer of the Year (2015).

## **Conclusions**

23. The County Council continues to provide a good quality and healthy school meals service through its in-house catering service, HC3S. However, with costs continuing to rise in 2020 and the uncertainty about the impact on food costs of the UK leaving the EU, it is necessary to increase the primary school meal price from £2.40 to £2.50 from November 2020.

24. It is proposed that the charge to schools for UIFSM is increased from £2.30 to £2.40 from November 2020. This lower price for UIFSM takes account of the UIFSM funding to schools being £2.34 per meal and the cost of a school meal forecast to be £2.50 in the 2020/21 academic year. The financial impact of the difference between the level of funding and the meal cost is therefore being shared between schools and HC3S.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
<a href="#">School Meal Price from September 2019</a>	8 May 2019
<a href="#">School Meal Price from September 2018</a>	8 Nov 2017
<a href="#">School Meal Price April 2016</a>	20 Jan 2016
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

The proposal will have a low or no impact on people with protected characteristics as there is a national income assessed free school meals scheme will support those families with the lowest incomes.