

Report

Cabinet Member Education and Early Years

Part 1

Date: 5 October 2023

Subject School Meals Catering Contract

Purpose To seek the Cabinet Member's approval to increase the amount paid to Chartwells for eligible Free School Meals (FSM) and Universal Provision Free School Meals (UPFSM).

To seek the Cabinet Members approval to increase the charge to pupils who are 11 years and over and not eligible for FSM.

Author Sally Jenkins

Ward All

Summary The Council has a single contract with Chartwells for the delivery of a school meals catering service across all school sites, with the exception of, Caerleon Comprehensive School and Bassaleg High School. Newport High School are currently in negotiations to join the Chartwells contract.

The contract also covers the provision of breakfast in the primary schools.

Within the terms and conditions of the contract, Chartwells is permitted to apply for an annual increase to the school meal prices and they have applied for an increase to commence September 2023. The current situation of food price inflation and increasing employment costs cited as the rationale for the request.

This report seeks approval to increase prices of school meals for eFSM (including Universal Provision Free School Meals (UPFSM)) and customer paid meals in Secondary Schools.

Proposal To implement the report.

Action by Sarah Morgan

Timetable Proposed implementation date September 2023

This report was prepared after consultation with:

- Head of Law and Regulation – Monitoring Officer
- Head of Finance – Chief Finance Officer
- Head of People, Policy & Transformation
- Head of Education

Signed

Background

The cost of providing an eligible Free School Meal (eFSM) in both primary and secondary schools is met by the local authority from an existing revenue budget. The Universal provision Free School Meal (UPFSM) roll out from September in Newport is currently funded by a Welsh Government Grant and will offer all primary aged pupils from Reception to Year 6 a free school meal.

The proposed uplift in cost payable to Chartwells can be absorbed by the additional income received from the UPFSM grant in 23/24. However, if the unit rate provided by the Welsh Government is reduced or uptake in eFSM increases, this will create a pressure on the eFSM budget and Education will need to be manage this from existing resources.

Chartwells has requested an increase of 13.4% to FSM prices for primary and eligible secondary pupils from 1 September 2023. This is the money paid to Chartwell for the provision of the meal. The increase will equally apply to Universal Provision Free School Meals for all primary pupils.

Chartwells cite the continuing increases in the costs of food and the cost of employment. Chartwells have confirmed that this proposed increase is for the 2023/24 academic year.

The primary and secondary schools operate in slightly different ways. In primary schools the child receives a set meal. In secondary schools the pupils are older and have more freedom to spend their money, selecting food from a menu. Pupils have the opportunity to choose the food they want throughout the day. There is not a set meal cost as such.

The 13.4% increase is an average uplift so in secondary schools some individual products will increase by more some less. This will have the greatest impact for secondary pupils.

For primary schools Chartwells currently receive £2.40 this will increase to £2.70 per meal. Secondary costs will increase from £2.60 to £2.95.

All meals and food items sold must be in accordance with The Healthy Eating in Schools (Nutritional Standards and Requirements) (Wales) Regulations 2014.

Financial Summary

• Free School Meals

As part of the original MTRP for 23/24, an inflationary increase on the unit cost of 10% was used to determine the 23/24 budget requirement. The table below shows the impact of the price increase being higher than anticipated.

	Budgeted Meal Price Sept 23	Projected eFSM numbers Sept 23 to Mar 24	Budget Sept 23 to March 24	Proposed Meal Price Sept 23	Projected eFSM numbers Sept 23 to Mar 24	Revised Budget Sept 23 to March 24	Variance
Primary	2.64	307,692	812,307	2.70	307,692	830,768	18,462
Secondary	2.86	163,170	466,666	2.95	163,170	481,352	14,685
Special	2.86	14,238	40,721	2.95	14,238	42,002	1,281
Total		485,100	1,319,694		485,100	1,354,122	34,428

This "additional" 3.4% will cost the authority just over £34k for the period September 23 - March 24 (£59k on a full year basis) and whilst this pressure can be absorbed in 23/24, any significant increases in uptake or further price rises beyond 23/24 may result in a further pressure on the catering budgets which will need to be managed from existing resources. If this is not possible, a pressure will need to be

included within the councils medium term financial plan in future years however this would be subject to cabinet approval.

Paid Meals

The current subsidy for paying pupils within primary schools will no longer be required from September 2023 as the universal rollout of school meals to all primary pupils will mean that all school meals are free.

A subsidy is not required in the secondary schools as it operates as a commercial service and a term in the contract places the responsibility on the contractor to provide an offer which appeals to pupils so uptake remains the same or increases, eliminating any subsidy payable by the Council.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or mitigate its effect?	Who is responsible for dealing with the risk?
An increase in the prices could result in a reduced meal uptake across the City in secondary schools	High	Low	The risk lies with the Contractor. Chartwells need to place a greater focus on the quality of provision to maintain custom and sales	Education & Chartwells
Not increasing school meal costs may result in Chartwells terminating the contract as the service will not be viable and due to the market no other providers will bid for it	High	Medium	Agreeing to the full increase will ensure that Chartwells' operating costs are covered, and the service is viable	The Council

Options Available

Option 1:

To accept the proposed increase for eFSM including universal provision free school meals, for both primary, and secondary schools and paying pupils within the secondary schools.

Option 2: To not accept the proposed increase for FSMs. The risk of not accepting could possibly result in Chartwells giving notice as the contract would no longer be viable and the current state of the market may mean that no other providers will bid resulting in there being no catering provision. Chartwells were the only bidder in the last contract round.

Preferred Option and Why

The preferred option is **Option 1**. Although the proposed FSM increase for primary and secondary schools is more than the anticipated increase of 10%, the additional increase can be absorbed by the current catering budget until March 2024. Due to the commercial nature of the secondary school

provision, the proposed increase to paying pupils will be spread across the school menu thus pupils will only see a minimal reduction in the money they have to spend.

Comments of Chief Financial Officer

The factors leading up to the proposed price increases are well known. It is acknowledged that the anticipated increase from April 2023 in relation to the secondary sector was delayed at the request of the local authority due to the cost of living crisis, therefore under these circumstances, officers are recommending an increase from September 2023 which is above that permitted under the contract terms. The Cabinet Member needs to satisfy themselves that all avenues of negotiation have taken place and under the circumstances; approval of an increase over and above the Council's contractual obligation is reasonable.

The report confirms that the proposed increase is affordable within the current resources available in the current 2023/24 financial year, which comprise the core FSM budget and the UPFSM grant funding. This is due to the unit rate the local authority can claim for a UPFSM being in excess of the cost of a meal in the primary sector. However, it must be noted that this unit rate is currently under review by WG and, as such, if it is reduced, or actual UPFSM take up is less than anticipated, this will reduce the funding available to offset the increase on the core FSM budget.

As well as the in-year risk, there is also a risk that a recurring pressure is placed upon the FSM budget if the UPFSM rate decreases. If that is the case, it would be necessary for the Education service to take steps to manage this from within their wider budget. If that is not possible, this would become a pressure upon the Council's medium term financial plan and would need to be funded as part of the wider strategy to set a balanced revenue budget each year.

It should also be noted that whilst the secondary increase has been deemed minimal, as the contractor is proposing to spread the cost across their menu, for those families unable to meet the increased cost, this will result in less choice for those pupils.

Comments of Monitoring Officer

The Council has a discretion when fixing the price of school meals provided in accordance with its duties under Section 512 of the Education Act. The Education Authority is required to charge for all non-free school meals, but the price of the meal is a matter for the Council to determine. In the case of secondary schools with delegated budgets, this duty in relation to the provision and pricing of school meals is delegated to each Governing Body. However, all of those secondary schools who have opted-in to the single catering contract with Chartwells have agreed that the price of meals will continue to be fixed by the Council. In accordance with the current school meals contract with Chartwells, the contractor is entitled to request an index-linked annual price increase in line with any increases in the costs of labour and food supplies. The proposed increase for both primary and secondary school meals to £2.72 and £2.95 respectively is considered to be reasonable, albeit higher than the contractor's index-linked cost increases that they are contractually entitled to in accordance with the indexation Clauses contained within the schools catering contract. However, were the Council to refuse the requested price increases, there is a risk of the contract being no longer commercially viable for the contractor, who would be entitled to serve notice to terminate the contract. Alternative providers are limited. The only discretion that the Council has is whether or not to pass on these increases to the paying parents for the primary school meals or whether these increases should be subsidised, in whole or part. There is no requirement for subsidy of the paid meals in secondary schools as there is no set meal and the contractors are able to operate the service on a commercial basis, to recover their costs. The recommended option is to agree to the proposed price increases for primary and secondary school meals and note that there will no longer be a requirement for the Council to subsidise the paid-for primary school meals after September 2023 due to the national roll-out of free school meals. Therefore, the proposed increase can be absorbed by the existing catering budget until March 2024. This is considered to be reasonable and in accordance with the Council's public sector equalities and socio-economic duties under the Equality Act. A full FEIA has been completed and can be provided on request. The impact of the increases for parents in primary schools will be reduced as a result of the Welsh Government roll-out of its Universal Primary Free School Meals scheme in September 2023.

Comments of Head of People, Policy and Transformation

In order to sustain the school meals service in its current form, inflationary costs necessitate an increase in the price for school meals. Free School Meals have long been regarded as a policy tool for addressing poverty and reducing inequalities between families with children. Whilst the rollout of Universal Free School Meals within primary schools will remove any payment for all primary pupils from September 2023, avoiding impacts within this sector, for secondary schools there will be a financial impact from the price rise on families who are not eligible for free school meals. A Fairness and Equality Impact Assessment has been undertaken to consider the potential implications for protected groups and steps have been taken to mitigate the impacts for paying pupils.

There are no direct human resources implications arising from this report

Comments of Head of Education

Whilst the reasons for Chartwells requesting this increase are understood, and the proposal is affordable currently as there is sufficient funding available to cover the additional costs that will be incurred between September 2023 and March 2024, it is difficult to confirm with some certainty what the impact will be on the central Education budget from April 2024, and how any pressures will be absorbed. It is also noted that although the proposed primary price remains lower than the value per meal served that can be claimed from Welsh Government for the delivery of Universal Primary Free School Meals, this will result in a reduced amount of grant income received by the Council to support the administration of this scheme.

It is acknowledged that the full rollout of Universal Primary Free School Meals across the primary sector will protect some families from the impact of proposed increase; however this will not be the same position in the secondary sector where paying pupils will be directly impacted by the price increase.

Comments of Non-Executive Members

Councillor Kellaway:

Thank you for the opportunity to comment. I would support the preferred option 1 as I believe in the principle of FSM, and benefitted myself from the scheme, it's important to maintain it. The worldwide pressures on cost of food means anyone / contractor will need to increase their costs or risk failure to the provision.

A meeting was requested by Councillor James during the All-Member Consultation:

Present: Councillor D Davies (Cabinet Member for Education and Early Years), S Jenkins (Strategic Director: Social Services), S Morgan (Chief Education Officer), A Turner (Programme Manager), A Jenkins (Governance Team Leader), C Williams (Executive Assistant)

Councillor James referred to the FEIA which stated that Chartwells was the only company that supplied a contract for school meals.

For context, the Cabinet Member, Strategic Director, and Chief Education Officer explained this was correct.

Cllr James asked if there had been negotiations with Chartwells around their decision to increase school meal prices?

The Strategic Director said yes there had been extensive negotiations via Council Officers and the Contract Board (made up of Headteachers and School Business Managers). However, Chartwells could clearly evidence the significant rise in food costs, energy costs and staffing pay rises.

Councillor James noted that the FEIA mentioned the impact on what children could spend and the choice they may have had.

The Chief Education Officer said that she believed that the Contract Board had requested that the price rises should be spread around the school menu's in secondary school, so that one type of food (which may have had significant rises in costs) was not disproportionately affected. It was clear that for a proportion of secondary aged pupils, price increases may result in them purchasing less food.

Cllr James asked if children and young people had had the opportunity to have a view on the school meals service and if dietary considerations had been taken into account?

The Chief Education Officer explained that there is a School Catering Client Officer in the Local Authority.

Part of the School Catering Client Officers role is to ensure pupil voices are heard. Headteachers and School Business Managers on the Contract Board also feed in pupil voice into their discussions and monitoring of the contract. Sarah Morgan said that the School Meals Contract Officer is in school most of the week looking at this.

Also, dietician time is part of the Chartwells contract. Their function is to support pupils dietary needs.

Councillor James referred to the socio-economic section of the report where it mentioned that there would be no impact on health. Councillor James asked if the mental health of pupils been considered.

The Chief Education Officer explained the reason that this had not been considered as 'high impact'. There are a whole range of issues which can affect a person's mental health, suggesting that a rise in school meal prices would be a significant factor would be disproportionate.

Councillor James referred to the comments of the Head of People, Policy, and Transformation, where it said that steps had been taken to mitigate impact of children, the councillor felt that this was misleading.

The Chief Education Officer explained that this was linked back to the previous year when the Local Authority was able to defer the price increase for parents.

Cllr James asked what would happen if secondary meal uptake reduced?

The Chief Education Officer said that because this is a business model, Chartwells would be looking for immediate change to ensure they were providing their clients with what they preferred. If FSM uptake reduced, the local authority would also be looking at information for families on how they access a Free School Meal.

Councillor James referred to FEIA being available on request, rather than being part of the report.

The Chief Education apologised for the delay and said that it was indeed a council error not to have this published on the NCC website at the same time as the report and decision schedule.

Cllr James noted that the date of the FEIA had changed.

Angela Turner noted that this had changed, noting that any FEIA is a dynamic and moving document.

Cllr James asked if the Cabinet Member had used the FEIA model to determine her report?

Cllr Davies said yes this was the case. The Chief Education Officer said that there had been many Cabinet Member briefings over months to determine the report completion and that fairness and equality and the potential impact on groups was a consistent consideration.

Councillor James asked on behalf of residents if Chartwells had already raised their prices.

Sarah Morgan said this would be looked into.

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The council has a number of legislative responsibilities to assess the impact of any strategic decision, proposal or policy on people that may experience disadvantage or inequality. Any proposal / policy / decision submitted to a Cabinet Member, Cabinet or Council should have been subject to a Fairness and Equality Impact Assessment (FEIA) which will allow you to consider all relevant impacts.

An FEIA has been completed and a copy can be provided on request

Wellbeing of Future Generations (Wales) Act 2015

Long Term - There is a danger if the proposed increases were not approved, that the contractor for the school meals catering contract in Newport may terminate the contract as it is no longer sustainable resulting in there being no service at all until a new contractor could be appointed which will take up to 9 months.

Prevention - This decision is not preventative, but the Council have no ability to be able to impact the root cause of the issue (increases in global food and fuel prices, central government increases to National Living wage and national insurance contributions) and so we have to act at this level.

Integration - There are no specific contributions to Wales Well-being Goals or Newport City Council's Well-being Objectives.

Collaboration - There are no specific contributions to collaboration represented by this proposal outside of those to be found in the provision of school meals more generally.

Involvement - The proposed increases in school meals are informed by insight from initial consultation undertaken with primary and secondary school representatives at the School Meals Catering Board.

Equality Act 2010

There is no evidence to suggest that the proposed increase in school meals will positively or negatively impact people who share any protected characteristics

Socio-economic Duty

The proposed increase in school meal prices is anticipated to potentially increase inequalities of outcome for children living in poverty likely to experience socio-economic disadvantage as their household does not meet the criteria for FSM. However, the rollout of the UFSM within primary schools will remove any payment required for all primary pupils from September 2023. In secondary schools, as the service is commercial, the contractor will need to ensure that the increases vary across all food and drink products, so the impact is minimal to all pupils.

Welsh Language (Wales) Measure 2011

There is no evidence to suggest that the proposed increase in school meals will positively or negatively impact people who speak Welsh as a first or second language.

Background Papers

Appendices:

Appendix 1 – School Meal Price Increase Cabinet Report 2022-2023



School Meal Price
Increase Cabinet Re

Dated: 4 October 2023