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**HCL PROPOSALS FOR PRIMARY AND SPECIAL SCHOOL MEALS FROM
APRIL 2015**

Report of the CEO of Hertfordshire Catering Limited

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1. Purpose of the Report

- 1.1 To update Forum on the current financial position of the Primary and Special School Meal service in the light of the new duty to provide Universal Infant Free School Meals (UIFSM) from September 2014, and other pressures.

2. Recommendations

- 2.1 Forum is asked to note the report and the actions proposed.

3. Background

- 3.1 From September 2014, all Reception, Year 1 and Year 2 pupils are entitled to a free meal. Schools are receiving funding of 230p for each meal taken by newly eligible pupils i.e. those previously either taking a paid meal or not taking a meal at all.
- 3.2 Funding for newly eligible pupils taking a meal in the Autumn 2014 and Spring 2015 terms was paid into school bank accounts in August 2014 assuming 87% take-up throughout. Funding for Summer term 2015 (and an adjustment for actual take-up in the previous two terms) will be paid into school bank accounts in April 2015. All funding calculations are based on School Census data (i.e. meals taken on 2 October 2014, 15 January 2015 and 21 May 2015, rather than actual meals taken over the whole period).

4. Current Financial Position

- 4.1 Hertfordshire Catering Limited (HCL) provides meals in 390 Primary, Nursery and Special schools and is currently charging as follows:

Charge per meal provided 215p

Charge for UIFSM set-up costs 5p for each meal funded at 230p as in 3.2 above - until Summer Term 2015 only.

Annual Subscription (incl. Kitchen Servicing) £3,465

5. Meal Numbers

- 5.1 From September 2014, HCL is serving 26,400 Junior meals (50% take-up) and 31,100 Infant meals (90% take-up) per day, giving a total of 57,500 (66% take-up) overall. This compares to 42,000 meals (47% take-up) in the equivalent period last year.
- 5.2 This level of meals served is in line with the assumptions made when the HCL Business Plan was determined and the prices above were set.

6. Pressures

Staff Costs

- 6.1 HCL implemented a pay award from April 2014 averaging 3% for kitchen staff. The Board is also taking steps to move towards the Living Wage for all staff and as such the pay award in April 2015 will reflect above inflation increases for lower paid staff. In addition, the lowest scp 5 will be abolished from October 2015.
- 6.2 HCL intends to implement a pay award from April 2015 to be broadly in line with the new national Local Government scales, and given that the bulk of HCL's staff are General Catering Assistants on scp 5 and scp 6, this would result in an increase in the kitchen labour cost of 3.75% overall.
- 6.3 At the same time, the Roman Catholic Diocese of Westminster is encouraging all its schools to pay the living wage to its staff (including staff in schools) and to consult with contractors on how they will move towards the same goal.

Food and Other Costs

- 6.4 HCL has rolled out significant improvements to food quality, including the achievement of the Bronze Food for Life standard. We are now investigating the cost implications of moving to the Silver accreditation. Current food costs are slightly below budget, reflecting reductions in

food costs in the market generally. However our suppliers are indicating that they may need to increase costs during the next 18 months in the region of 2.0% to 2.5%. Given the uncertainties in projecting so far ahead, a prudent assumption is that to maintain the current food quality food prices will need to rise.

7. Income

- 7.1 The HCL Business Plan assumed 87% take-up by “newly eligible” infant pupils, and 48.5% take-up by junior pupils. Current projections are that the actual take-up across the whole year will be in line with these assumptions.
- 7.2 An increase of 2.3% in the “selling price” of each meal from the current 215p to 220p will therefore be necessary to ensure that the Primary service covers the cost of provision. The 220p price compares reasonably with the price of meals being charged by similarly sized Counties, and of course remains significantly less than the 230p Government funding figure. The 10p balance will remain with schools.
- 7.3 The impact of the pay award above equates to 4p on each meal. This will take effect from April 2015. Food price increases and other costs will also increase in the region of 2.5p on each meal. This makes a total pressure of 6.5p. Increasing the meal price by 5p in September 2015 means that effectively we will only see a 2.9p increase in our revenue during our financial year.
- 7.4 HCL intends to absorb the shortfall between the additional costs and the extra revenue by efficiencies and economies.
- 7.5 The “subscription” will increase to £3,535 from April 2015 (an increase of 2.0%) to reflect the increase in costs since the level was set in June 2013.