

## **Divisions Affected- All**

### **Education and Young People Overview and Scrutiny Committee**

**11 July 2025**

### **School Catering Service – Proposed change of provision for the schools.**

#### **Report by Director of Property and Assets**

## **RECOMMENDATION**

1. The Committee is **RECOMMENDED** to:
  - i) Consider the report, particularly the options put forward for consideration, and agree any recommendations it wishes to make to Cabinet arising

## **Executive Summary**

2. Following the collapse of Carillion in 2018 the County Council had to return a number of service functions back in-house. Included in this was the provision of Primary school meals to some sixty schools across the County.
3. Since the function became an inhouse delivery service, the catering service has struggled to have a financial breakeven position to deliver the service, as set out in the body of the options paper in Annex 1.
4. For the recent 2024/25 financial year, by implementing some changes such as reducing the cost of meal production, moving from fresh to frozen ingredients, the position has resulted in a net underspend against budget of c£296k, this represents a c£322k improvement against the outturn position, this position will continue in 2025/26 as shown in the forecast 2025/26 in the body of the options paper in Annex 1.

## **Exempt Information**

5. Information in the Annex 1 to this report is supplied in commercial confidence and disclosure would prejudice the commercial position of the parties involved. It would also prejudice the position of the authority's investments to the detriment of the Council's ability to properly discharge its fiduciary and other duties as a public authority.

## Catering Current Position - Background

6. Historically, the catering service has been expected to generate sufficient income to cover all expenditures, operating as a traded service. However, year on year this has become increasingly difficult to meet the financial goal.
7. The funding from the government for FSM (Free School Meals) and UIFSM (Universal Free School Meals) meals has remained largely static. It has not kept pace with increases in the cost of providing the service, nor does it reflect the wider value of school meal provision (APSE, Local Authority Education Service 'More than just a service' report 2023)
8. Since the introduction of devolved budgets, the lack of ringfencing of the funding has not guaranteed all allocated funding has been shared with the catering provider. (APSE, Local Authority Education Service 'More than just a service' report 2023)
9. The true cost of the Covid pandemic has far outstripped any funding provided, and the closure of schools to all but vulnerable pupils resulted in the additional significant loss of paid meal income (APSE, Local Authority Education Service 'More than just a Service' report 2023)#
10. The inflationary cost of staple ingredients, energy bills and above-inflation wage increases has ensured the gap between budgets and funding is ever widening. Brexit and the war in Ukraine have exacerbated the situation. (APSE, Local Authority Education Service 'More than just a service' report 2023)
11. The number of Free school-eligible pupils has increased significantly between pre-COVID and the cost-of-living crisis. In Oxfordshire alone, an additional 6,000 pupils were eligible for Free School Meals in Jan 2024 compared to January 2019 – this represents a 45% increase in eligibility and serves as a reminder as to how crucial a part, school meals are playing in the lives of our residents. (Oxfordshire School Census data Jan 2019 and Jan 2024)
12. The school meal market within the County (and indeed, across the country) has become fragmented with private caterers' primary focus being on the 'bottom line' which has negatively impacted smaller and more rural schools. There is a distinct lack of an effective monitoring mechanism and little opportunity to enforce standards, thus our service is operating in a competitive market with little accountability and public money is spent without transparency nor scrutiny. Therefore, the catering service is not operating on a level playing field regarding tendering for new contracts in comparison to the private sector market. This has resulted in the service experiencing significant and unsustainable financial challenge, that cannot continue if the service is to remain viable. Therefore, the service has no alternative but to increase meal prices to at least move towards a break-even position.
13. As an interim measure, effective of 1<sup>st</sup> May 2024, the paid pupil meal price has risen to £2.55 (with Universal Free School Meals (UIFSM) and Free School

Meals (FSM) prices remaining at £2.53 and £2:55 respectively). However, this will be nowhere near enough to achieve a breakeven position for the service, and it was therefore necessary to increase all school meal prices to £2.90 per meal effective from 1<sup>st</sup> April 2025, which was communicated to all schools in 2024/25. With the two increases there will be further price increases necessary in the new financial year if the Council is to achieve a breakeven position.

14. As a Local Authority (LA), the Council is not unusual in struggling to achieve a break-even position and benchmarking of other Authorities demonstrates that the Council still lags well behind other authorities' charging at April 2025 price. That said, the Council recognises that it will need to take a stepped approach to catch up.

## **Local engagement**

15. We have engaged with school's forum in June 2025 to inform the schools forum of the current challenges faced and what the potential options are likely to be, following presentation to scrutiny committee the paper will be taken to cabinet for a decision on the catering service moving forward. Following this the schools will be engaged and advised of the next steps and how this will impact provision of school meals will impact each school.

## **Corporate Policies and Priorities**

16. The process will ensure we fall in line with our financial priorities to the county and ensure the continuity of healthy and nutritious school meals to the children of Oxfordshire. It is in line with our priorities to 'Tackle inequalities' in Oxfordshire and 'Prioritise the health and wellbeing of our residents'.

## **Financial Implications**

17. The increase to £2.90 for each pupil meal, will impact on schools' finance if the funding for FSM and UIFSM meals remains static and will not achieve a breakeven position for OCC.
18. Whilst school meal industry bodies (LACA and APSE) continue to lobby parliament to increase the funding (particularly as meals for pupils not in school were funded at £3.00 per meal during Covid) there has been no word from central government as to if, or when, this might increase.
19. Again, OCC are not alone in increasing prices beyond funding levels, with both other authorities and the private sector forced to do the same to avoid significant losses in the provision of a school meal service
20. In addition to meal price increases identified above, the service is working hard to reduce expenditure by.
  - continuing to drive better pricing through their supply chain.

- Menu planning which focuses not only on content and quality but on reducing the overall cost per meal.
  - Reducing hours in kitchens where this will not impact on service quality.
  - Robustly managing sickness and overtime to keep at levels to a minimum.
  - Adopting best practice identified through networking with other LA's
21. The reality of the situation is that any cost pressures going forward cannot be mitigated.

Comments checked by:

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## **Legal Implications**

22. There are no further legal implications at this stage beyond those set out in Annex 1. Further consideration will be required once a recommendation is agreed.

Comments checked by:

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## **Staff Implications**

23. There are no new staff implications as the current funding has been identified via the service's respective revenue budget.

## **Equality & Inclusion Implications**

24. There are no equality or inclusion implications at this stage. From the engagement to date with the potential options for the direction of the service there is full support to meet the Equality and Inclusivity Policies, and this will be fully determined before process is commenced which may impact staff.

## **Sustainability Implications**

25. There are no sustainability implications for the service at this stage, this will be fully determined following a decision on the direction of the service.

## **Risk Management**

26. The current and potential risks are outlined within the detailed paper in Annex 1 however the key risk is financial and sustainability of the service currently operating at a deficit for the previous 4 years.

## **Consultations**

27. The Council engaged with external catering consultants in February 2024 to review and recommend improvements and changes to the operation, this resulted in improved financial and operational performance through 24/25.
28. The Council has also engaged with School's Forum in June 25, to advise of the potential options for the catering service.

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Annex:1 Project Mandate Document – **Exempt**