

## **CABINET MEMBER – Delegated Decision 12th September 2025**

### **School Catering Service – Proposed change of provision for school meals.**

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

#### **RECOMMENDATION**

1. The Cabinet member is **RECOMMENDED** to:
  - I. Agree to proceed with a procurement exercise to identify a suitable commercial provider to deliver catering services via a direct service contract with each school to replace the existing service level agreements with the school meals service.

#### **Executive Summary**

2. Following the collapse of Carillion in 2018, a number of services were returned to the County Council. Included in this was the provision of school meals to some sixty schools across the County. The catering service operates as a trading account, with the expectation that costs are covered by income. The council holds service level agreements (contracts) with each school which are usually for a term of twelve months.
3. Since becoming an in-house delivery function, the catering service has struggled to deliver a breakeven financial position. Actions have been taken to try and address this, but due to rising costs and restricted income, it has not been achievable. For the most recent financial year (2024/25), through implementing changes to meal production, alongside an increase in meal prices, a reduction in the deficit of £322k has been achieved. However, even with the further price increase from April 2025, a breakeven position is still not achievable.
4. Consequently, options regarding the future of the service have been considered and it is recommended that the Council seeks a supplier to take on the function under service contracts with the schools.
5. Information in exempt 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.

## Background

6. Historically, the catering service has been expected to generate sufficient income to cover all expenditure, operating as a traded service. However, year on year this has become increasingly difficult to achieve.
7. The funding from the government for Free School Meals (FSM) and Universal Free School Meals (UFSM) meals has remained largely static for a number of years. 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. The report from the Association for Public Services Excellence (APSE) titled, 'Local authority education catering service 'More than just a service' in 2023 sets out that since the introduction of schools devolved budgets, the lack of ringfencing of the funding has not guaranteed all allocated funding has been shared with the catering provider. 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
8. Additionally, the inflationary cost of staple ingredients, energy bills and above-inflation wage increases has resulted in the gap between budgets and funding is ever widening. European and global conflicts have exacerbated the situation. 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 January 2024 compared to January 2019 – this represents a 45% increase in eligibility. (Oxfordshire School Census data Jan 2019 and Jan 2024).

## Actions Already Taken

9. To try and address the issues set out above, the council engaged with a specialist school catering consultant who made several recommendations which have already actioned and have led to a reduction in the trading deficit; namely -
  - increasing the school meal price to be more in line with other authorities
  - reducing the cost of meal production
  - staffing control

## Increase in school meal price

10. Benchmarking with other authorities demonstrated that the price OCC charged for school meals was lower than other authorities. The table below shows the meal price from April 2024, noting that Nottingham, Derbyshire, Hampshire, and Surrey are all increased prices by an additional 10p from 1st September 2024.

Type of Meal (April 24 Prices)	Derbyshire County Council	Hampshire County council	Lancashire County Council	Surrey County Council	Nottinghamshire County Council	Oxford County Council	Hertfordshire County Council
<b>Primary Paid</b>	£3.25	£3.00	£2.50 (RSP)	£2.70	£2.95	£2.55	£3.30
<b>UIFSM</b>	£2.53	£3.00	£2.53 (RSP)	£2.53	£2.53	£2.53	£2.53
<b>Primary Free (eligible)</b>	£2.51	£3.00	£2.52 (RSP)	£2.63	£2.53	£2.55	£3.30
<b>Adult Paid (Exc VAT)</b>	£3.90 (exc vat)	£3.00 (exc vat)	£3.00 (exc vat)	£3.72 (inc vat)	£2.85 (exc vat)	£2.80 (exc vat)	£3.66

\*OCC Primary Paid prior to April 24 £2.35

11. In order to avoid a significant increase in one go, the council has phased the increase, with the paid pupil meal price rising to £2.55 on 1 May 2024 and to £2.90 from 1 April 2025. The price for a paid adult meal increased to £3.00 on 1 May 2024.
12. As the government has not increased funding to schools for Universal Free School Meals (UIFSM) and Free School Meals (FSM) prices have remained at £2.53 and £2.55 respectively.
13. Even with these increases, the Council remains lower than other authorities in all of its charges.

### **Reducing the cost of food production**

14. Moving from fresh to frozen ingredients, which have the same nutritional value has reduced the cost of producing a meal from £1.35 to £1.17 a meal and has reduced costs by £322k. Despite this change, the price per meal of comparators is c£1.05.
15. Further cost control is being achieved through continuing to drive better pricing through their supply chain and also through improved menu planning which focuses not only on content and quality but also on reducing the overall cost per meal.

### **Staffing control**

16. Efficiencies are being sought by robustly managing sickness and by keeping overtime levels to a minimum. In addition, where there is not impact on service quality, and reducing hours in kitchens where this will not impact on service quality.

### **Trading Account Position**

17. As a local authority, Oxfordshire is not unusual in struggling to achieve a break-even position for its catering service and benchmarking of other authorities demonstrates that Oxfordshire still has lower charges than other authorities based on prices at April 2025.

## **Proposed Approach**

### **Option 1 - Continue to trade the service as is**

18. Even with further efficiencies, given the small size of the operation and necessary management and administrative overhead required to operate the service, a break-even position cannot be achieved. Increasing charges further is also not considered acceptable.
19. This option is not considered viable.

### **Option 2 - Transfer the service back to the schools**

20. This option would likely come at a cost to schools, particularly smaller schools due to low volumes. Additionally, there would be a need for redundancy of the senior management, admin staff and area support staff who would not have entitlement to transfer to any single school/federation or MAT given that it is unlikely any cohort would make up a significant part of their current responsibilities.
21. Furthermore, this process would involve a complex TUPE process with each individual school where staff have the right to transfer. This option would be a complex and costly option.
22. This option is not the preferred solution.

### **Option 3 – Offer schools the option to secure an external catering provider of choice**

23. An existing catering provider is better placed to facilitate the needs of schools both in terms of sustainable model of delivery of school meals and at a competitive cost. This can be achieved as existing providers will have advantage of volume and market experience in delivering services.
24. Under this option, schools would have the flexibility and choice to stay with the current provider or choose to opt out and secure an alternative meal provider. This option aims to negotiate a fixed school meal rate for the first two financial years, providing budget certainty for each school.
25. This option would also protect the current staff cohort, as TUPE regulations will apply to the new service contract and the expectation is that roles will be duplicated in the service provided by the new service provider.
26. This option is the most financially viable, reducing the liability that currently falls on the council to deliver the service and offers school the flexibility of choice to secure their preferred school meal providers.
27. This is the preferred option, and it is recommended that a procurement

exercise is undertaken to identify a suitable commercial provider to deliver catering service via a direct service contract with each respective school.

## Consultation

28. In June 2025, the school's forum reviewed a report on current financial challenges and proposed options. The forum made these points:
  - I. Ensure contracts are accurate, protect against price increases or staff losses after the first year, and allow schools to exit easily.
  - II. Clarify the timeline for implementing the proposal.
  - III. Schools in certain areas lack procurement experience and requested OCC support during the process.
29. The Education and Young People Overview and Scrutiny Committee considered a report on the future options for the school meals service in July 2025. The committee provided two recommendations to Cabinet for consideration:
  - I. Recommendation 1: That the Council should outline the specific measures it has taken to ensure that rural schools are protected and that all schools will receive high quality catering services.
  - II. Recommendation 2: That the Council should set out the specific steps it will take to ensure that the rights and interests of existing staff members will be protected, and that trade unions will be consulted and engaged throughout the process.

## Financial Implications

30. The increase to £2.90 for each pupil meal from April 2025, had an impact on schools' finance as the funding for FSM and UIFSM meals remains static and will not achieve a breakeven position for the council. It is anticipated that a significant financial support is anticipated in 2025/26 budget.
31. Despite ongoing lobbying by industry bodies (LACA and APSE) for increased funding—especially since meal funding during COVID was £3.00 per pupil—there is no update on if or when funding will rise.
32. Again, Oxfordshire is 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.
33. Any cost pressures going forward cannot be mitigated and without significant price increases continued support is required and break-even position will not be achieved.

Comments checked by:

## Legal Implications

34. The proposal is that governing bodies of maintained schools will enter into contracts for catering services under arrangements procured by the Council. Governing bodies have the statutory power to enter such contracts under s 21 Education Act 2002. The Council has the statutory power to facilitate such arrangements under its general power of competence set out at s 1 Localism Act 2011.
35. Any procurement exercise will require the Council to conduct a competitive tendering exercise in accordance with the requirements and timescales set out in the Procurement Act 2023 (which applies to both the Council and the governing bodies of its maintained schools).

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## Staff Implications

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

## Equality & Impact Assessment

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

## Sustainability Implications

38. 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

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

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Exempt Annex:1 Financial Analysis