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13 July 2007

**TO: ALL PRIMARY SCHOOLS**

Dear Colleague

### **SCHOOL CATERING**

A number of schools have contacted us about the increase in school meal prices from September 2007. The Council will reach a decision during this month but I need to make you aware of the significant issues relating to that decision.

Job evaluation has given rise to a well deserved but substantial pay increase for Cooks. The increases for Cooks range from 32% to 54%. Overall this has added 20% to the catering labour bill and around 10% to the total budget for primary school catering.

Clearly this extra cost has to be addressed in the context of our existing policies which are, in summary:-

- promoting the increase in take-up of healthy meals meeting nutritional standards;
- the cost of the service (which falls directly on your individual school budgets) is recovered from charges to parents/pupils (which are credited to your individual school budgets along with the funding for free school meals).

These issues are rehearsed in the enclosed report which was recently considered by the Children & Young People's Service Executive Members. Executive Members endorsed, albeit with reluctance, a proposed increase from £1.62 to £1.80 (£9.00 per week). The proposal has yet to be considered by an Overview & Scrutiny Committee which meets on 25<sup>th</sup> July 2007 after which a final decision will be made. For ease of administration I suggest that parents be informed that the proposed charge is £1.80 (£9.00 per week).

Please ask parents to pay £9.00 (£1.80 per day) for the first week of term. If the final decision varied the charge we will make the appropriate change from the second week of term.

This approach recognised that the whole of the increase in cost cannot be recovered by the 2007 increase in charges. Indeed the County Council is helpfully providing some interim financial assistance to bridge the shortfall in 2007/08. This assistance will not be available in future years and is conditional, in any event, on the service doing everything it can to reduce the funding shortfall. This includes pitching an above inflation increase in school meal prices which partly recovers the extra costs of job evaluation but also is fixed at a level which, albeit with everyone

contributing to a significant marketing effort, minimises the loss in take-up when the charge is introduced. Any loss in take up will add to the need for further above inflation increases if the shortfall is not to fall on school budgets.

Given the very substantial increase in the cost of providing Cooks the service is considering other options, as set out in the report. It is intended to involve schools in the process, in the Autumn Term, of reviewing these options.

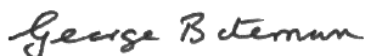
**There remains one clear message both for the Authority, North Yorkshire County Caterers and particularly the finances of every primary school. This is to maximise take-up including, in the short term, minimising any detrimental impact on take-up arising from the September 2007 increase.**

It is intended to promote the quality and benefits, from a healthy school meal, both before and at the time of implementation of the increase. This will include the material for use in your school including draft text for inclusion in communication with parents. In addition we are continuing to seek to target improvements in take-up in those schools which currently have the lowest levels of take-up. Schools will appreciate that this is often not just an issue of catering but also has to be considered in the context of the whole school policy including the philosophy around a lunch-time break. This is also fundamental for schools continuing to receive their healthy schools accreditation.

We've already shared these challenges with the Primary JDP consultative heads. They have endorsed our approach as set out in this letter and the enclosed report but emphasised the importance of effective consultation with schools. In this regard Keith Tillbrook, Nick Postma, June Taylor and myself are all prepared to come and talk through the issues involved both at an individual school and perhaps particularly at cluster meetings.

We are in the process of circulating printed new Autumn Term menus for distribution to your parents.

Yours sincerely



GEORGE BATEMAN  
Assistant Director – Finance & Management Support

NORTH YORKSHIRE COUNTY COUNCIL  
CHILDREN & YOUNG PEOPLE'S SERVICE  
CORPORATE DIRECTOR'S MEETING WITH EXECUTIVE MEMBERS

6 JULY 2007

**SCHOOL MEAL PRICES – SEPTEMBER 2007**

1.0 PURPOSE OF REPORT

1.1 To endorse proposed increases in school meal charges from September 2007.

2.0 BACKGROUND

2.1 School meals form part of delegated responsibility for schools but the local authority continues to have responsibilities to, at a minimum, fix a "guide price" for school meals. Furthermore it is a condition of participating in the current 5 year contract, arranged by the County Council in 2004, for participating Primary Schools to adopt the North Yorkshire guide price. In practice all Primary Schools use this tariff including the small number of schools who have chosen to self-operate.

2.2 Secondary School meals are provided on a cash cafeteria system and guide prices are provided for individual menu items. However there is greater scope for an acceptance of local variations to these prices bearing in mind the individual service level agreements with secondary schools. This report deals exclusively with the proposed increase from September 2007 in the guide price for Primary School meals.

2.3 The price currently charged is £1.62 per meal. This is lower than the charge by many local authorities. In September 2006 the charge was increased by 8p from £1.54 to £1.62 (5%).

2.4 In endorsing the increase there was also recognition that the service had to continue to seek to increase take-up in order to compensate, in due course, for the loss of School Meals Grant, in 2008/09 (currently funds 8p per meal towards food costs) bearing in mind the extra costs of food which have arisen following the full implementation of nutritional standards from September 2006. There was also awareness that cost increases might arise from job evaluation. In practice this has turned out to be the case.

3.0 SCHOOL MEAL DEVELOPMENTS 2006/07

3.1 During the last year the previous decline in school meal take-up has been reversed. The percentage up-take for school meals has improved from 40.8% in 2005/06 (financial year) to 41.9% in 2006/07. 3.1 million meals were served to North Yorkshire Primary Schools representing an average of 16,620 meals per day. The equivalent figure for 2005/06 was 16,510. This latter figure also reflects the unhelpful impact of the fall in school roll.

3.2 The impact of this trend is also reflected in the latest available comparative information for the Spring Term 2007 which shows that take-up has improved from 42.4% (2006) to 44.6% (2007) – an improvement of over 5%. However these improvements have not enabled the Catering Service to return to break-even as it had an operational deficit in 2006/07 of £157K on a turnover of £11.4M.

3.3 The challenges presented by the above analysis have been increased significantly by the impact of job evaluation, which has significantly increased the pay rates for Cooks. The impact for other staff has been much less significant.

3.4 The revised hourly rates for kitchen staff and the percentage increases are as follows:

Primary School Grades	New JE Band	New Scale Point	New Hourly Rate	Percentage Increase Post 1.4.07
			£	
Dining Room Asst.	1	4	5.80	0
General Kitchen Asst.	1	4	5.80	0
Cook 0-40 meals	6	15	7.82	32
Cook 41-200 meals	6	15-19	7.82	30
Cook 201 +	8	22-25	9.56	54
Asst. Cook (201 + meals)	5	12-16	7.33	24

3.5 The total additional cost of job evaluation in 2006/07, including oncosts, is estimated to be £1150K for the Catering Service (including Secondary & York schools). In relation to North Yorkshire Primary Schools the increase is summarised below:

North Yorkshire Contract – Primary Schools

	£K
Increase in Pay Bill	
Kitchen Staff	616
Management Administration	18
	<u>634</u>
Percentage increase in pay	20%
Percentage increase in total costs	10%
Impact on school meal price assuming no reduction in up-take	21p

3.6 In addition job evaluation has created the opportunity, for the first time, for Cooks to be placed on a scale with incremental points (note Band 1 has a single point) starting at the first point. The cost of Cooks will increase in future years as staff progress up the scale.

3.7 In the short term another element of the County Council's pay and reward package has impacted upon the Catering Service. This is the award of additional leave. Whilst for many staff within the Council the expectation that its impact will be absorbed by additional productivity, in the case of all staff in school kitchens, it has to be reflected in an increase in holiday pay. The impact of this is difficult to assess but each additional day of paid leave adds around £40K to the Catering Services pay bill. Virtually all staff with 3 or more year's service have the benefit of increased leave reaching 5 extra days for those with more than 15 years service.

3.8 In reviewing the cost changes for 2007/08 it is also necessary to take account of other increases in costs. Whilst a contract for the purchase of fresh food has been arranged with savings as compared with previous arrangements there are increasing inflationary trends on food prices. It is also necessary to make provision for annual increases in pay for all staff in April 2007 and 2008.

3.9 Taking all these factors into account a draft budget for 2007/08 has been prepared. Taking account of:-

- the impact of job evaluation;
- the impact of inflation on food and labour costs;
- an assumption that meal numbers are unchanged i.e. that the increase in take-up covers the reduction in pupil rolls;
- an assumption that the increase selected produces no reduction in take up.

3.10 A provisional budget prepared on this basis shows a deficit of the order of £1.1M on the Primary School Meal Contract. This would require an increase of the order of 36p per meal. The increase, of course, will be greater if an increase of that order gave rise (as would seem likely) to a reduction in take-up.

3.11 In recognition of the above circumstances it has been recognised that the way forward requires a strategy which includes the following elements:-

- a review of the options available to provide a School Meal Service;
- short term assistance from the County Council;
- despite the above, a significant above-inflation increase in school meal prices.

4.0 INCREASE IN SCHOOL MEAL PRICE – SEPTEMBER 2007

4.1 A summary of the cost increases over the period to the end of the 2007/08 academic year is set out below. All the estimates are provisional bearing in mind we are assessing future increases of cost and that in relation to job evaluation the extra costs of both additional leave and the “year 2” impact of job evaluation (when Cooks move up their incremental scale) are extremely difficult to estimate.

	£K
Job Evaluation 2007/08 financial year	635
Additional impact of job evaluation in summer term 2008	60
Inflation	
- Labour (annual rate 2.5%)	105
- Food (annual rate 3%)	70
- Overheads (annual rate 2.5%)	35
Impact of additional leave	60
	965
Current Trading Shortfall	150
	1,115
Impact on school meal prices <u>if</u> no loss of take-up	36p

4.2 The loss of income if take-up was reduced (would be of the order of £115K, circa 4p per meal) for each percentage reduction in take-up. This would be offset, in part, by savings on labour and food. However kitchen costs, in particular, and overheads cannot be reduced pro-rata to the loss of meal numbers.

4.3 Given the scale of these increases the service, with the guidance of the Catering Board, has developed a ‘recovery’ strategy which has the following elements:-

- to continue to actively promote the take-up of healthy school meals;
- to improve and enhance training of Cooks and Managers;
- to concentrate initiatives to improve take-up in schools currently with the lowest level of take-up;

- to actively review all costs particularly labour hours;
- to consider alternative methods of provision; this option is considered in more detail later in the report;
- to seek the views of schools on the options available to them;
- to take advantage of other Authority's experience on addressing these issues. This issue has arisen (or will arise when job evaluation is completed) in most other authorities. However the impact in North Yorkshire may be greater because of its larger number of small kitchens.

4.4 The County Council has recognised that the Service cannot respond immediately to the scale of increased costs arising from job evaluation. Consequently it is agreed to meet the loss arising from job evaluation in 2006/07. However, this support is on the basis that the service takes the necessary action to:-

- recover the extra costs from Secondary Schools who operate on a service level agreement basis where the school, after deduction of a management fee by North Yorkshire County Caterers, the school receives the trading surplus or meets the trading deficit. Clearly some Secondary Schools will inevitably seek to examine alternatives available to them, other than a service with North Yorkshire County Caterers, given the scale of increases;
- to increase the cost to York City Council in order for that contract to return to break-even despite the impact of job evaluation; however York City Council has the option of whether to renew the existing contract from September 2007 or make alternative arrangements;
- take action to eliminate the shortfall on Primary School catering, so far as pragmatically possible, in 2007/08.

In any event these actions are required now by the service if it is to operate a viable service in 2008/09 and beyond when it will not have the benefit of County Council support.

4.5 The options available for the school meal price increase, given the above analysis, are clearly considerable but 3 options are set out below:

a) **Inflation linked increase**

A 5% increase in charges would recognise that, even excluding the impact of job evaluation, the service was experiencing above average cost increases and currently trading at a deficit. This would be achieved by:

<b>Current Price</b>	<b>Proposed Price</b>	<b>Increase</b>
<b>£1.62</b>	<b>£1.70</b>	<b>8p (5%)</b>
	<b>(£8.50 per week)</b>	

This option fails to recognise the impact of job evaluation or the basis of the agreement with the County Council regarding its short-term financial support for the Catering Service.

b) **Increase to recover costs of job evaluation**

An increase of the order of 36p would be required to cover, in full, the extra costs of job evaluation and the other cost issues detailed in this report. An increase of 36p would increase the current charge to £1.98. A more “rounded” charge (to assist school staff in cash collection) would be £2.00 per meal.

<b>Current Price</b> <b>£1.62</b>	<b>Proposed Price</b> <b>£2.00</b> <b>(£10.00 per week)</b>	<b>Increase</b> <b>38p (23%)</b>
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This option creates the potential for a major loss in take-up with its further associated adverse financial implications. This will run contrary to the overriding aim of the healthy eating agenda for the associated long term benefits for our children. It does not take account of the potential efficiencies that might be available from other options of service delivery.

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c) **Increase to recover, in part, costs of job evaluation**

Significant increase which, in part, recovers the extra cost of evaluation. Whilst there are a number of permutations an increase of 18p would represent a substantial increase but may, with effective marketing, be achievable without a significant loss of take-up.

<b>Current Price</b> <b>£1.62</b>	<b>Proposed Price</b> <b>£1.80</b> <b>(£9.00 per week)</b>	<b>Increase</b> <b>18p (11%)</b>
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This option does recognise the significant impact of job evaluation but is only part of the “recovery” strategy.

- 4.6 The other options of the strategy were summarised in paragraph 4.3. One option examined in more depth here are the alternative methods of provision. These include:
- greater use of transported meals; this, in effect, reverses the current policy of seeking to provide kitchens in as many schools as possible. However, it reduces the need for Cooks in those schools receiving transported meals;
  - the use of “cook – chill” meals purchased from a private sector provider and delivered to the school for re-heating. This option again may reduce the need for Cooks but does involve capital investment in the schools concerned;
  - the offer, as an alternative, or as a substitute, for the school concerned to a hot meal of a cold (sandwich based) meal which nevertheless meets minimum nutritional standards. This option is particularly complex in terms of assessing both the costs of this provision, customer reaction and pricing strategies.
- 4.7 In considering these options it is also necessary to take account of some non-recurring costs including investment and redundancy costs.
- 4.8 It is also necessary to consider how schools’ views are taken into account in reaching a conclusion. This will include assessing whether schools should be given a choice (with different cost structures of various options for delivery). It also has to be recognised that the current method of provision (hot meals cooked in a school kitchen) will continue to be more financially viable in larger kitchens than in smaller schools. Consequently the proposals when formulated may involve more than one approach.

4.9 It also has to be recognised that on the conclusion of this review the balance of advantage may still remain, as now, with assisting arrangements based upon the production of hot meals in school kitchens. Consequently, if that is the case, there may have to be future significant increases in school meal prices if the service is not to be subsidised. It is intended to progress the review, examining these options, in more detail than thus far, during the Autumn Term. The work will be done in close consultation with schools and the Catering Board. The Children & Young People's Overview & Scrutiny Committee has also indicated a willingness to assist in taking forward the review.

5.0 CORPORATE OBJECTIVES

This issue relates to the following Corporate Objectives:

<b>Security for All</b> – by promoting safe, healthy and sustainable communities.	✓
<b>Growing up prepared for the future</b> – through good education and care and protection when it is needed	✓
<b>Independence</b> – through employment, opportunity and appropriate support	
<b>Keeping us on the move</b> – with good roads and a safe and reliable transport system	
<b>Strengthening our economy</b> – by supporting business, developing our infrastructure, investing in powerful telecommunications and helping people improve their skills	✓
<b>Looking after our heritage and our environment</b> – in our countryside and our towns and villages	
<b>Keeping in touch</b> – by listening to your views, planning to meet your needs and by telling you what we are doing.	

6.0 RECOMMENDATIONS

- 6.1 Executive Members are asked to endorse an increase in school meal prices, from September 2007, of 18p from £1.62 to £1.80 (£9.00 per week).
- 6.2 To note that an increase of this order will require a substantial and concerted marketing initiative to schools and parents prior to and immediately after its implementation.
- 6.3 Executive Members are also asked to endorse the strategy for the examination of alternative methods of provision.

Cynthia Welbourn  
Corporate Director –  
Children & Young People's Service

John Moore  
Corporate Director -  
Finance & Central Services

*Report prepared by George Bateman, Assistant Director – Finance & Management Support  
29.6.07*

Consulted .....Executive Member

Date: 6 July 2007



Consulted .....Executive Member

Date: 6 July 2007

Agreed: .....Corporate Director – Education Service

Date: 6 July 2007