

## CATERed Update and Next Steps

For 10 years, CATERed has provided a successful school catering service showcasing values of sustainability, community focus, and inclusivity through sourcing local food, providing freshly cooked, nutritious meals and promoting healthy eating through food education initiatives. CATERed plays a vital role in delivering nutritious meals to school children across Plymouth, the company provides approximately 10,000 school meals a day to children. CATERed's co-operative model was designed to deliver economies of scale, supporting smaller schools and enabled a more strategic approach to school meals provision (as opposed to a narrower focus on commercial viability).

CATERed Ltd. is an arm's length TECKAL company, registered at Companies House which is owned 51% by Plymouth City Council (PCC) and 49% by Plymouth Schools Shareholding Company (PSSC). PSSC is a holding company formed solely to represent the 67 schools (at that time) who purchased services from CATERed.

The CATERed Board of Directors are required to perform certain duties as outlined in the Companies Act 2006. The Act is designed to ensure all directors exercise their powers appropriately, upholding the values of the company and promoting its success. Any limited company is owned by the shareholders and run by the directors. Shareholders appoint the directors to manage the business. This includes making strategic decisions, overseeing wellbeing of employees and complying with statutory (legal and financial) obligations. If a company director fails to uphold duties, they can face legal actions and criminal fines.

One of the legal responsibilities of the Board of Directors is to assess whether the business is a 'going concern' – meaning it can continue operating and meet its legal obligations (and pay creditors) for the foreseeable future. In order to publish accounts on a 'going concern' basis, Directors must satisfy themselves that the company is a going concern for at least 12 months from the date that financial statements are authorised for issue. The company is externally audited and Directors must be careful not to misrepresent the position – Directors are aware that, without significant additional financial support, they will not be able to pay suppliers going forward into the next financial year.

As CATERed currently is unable to continue trading beyond academic year 2025/2026, **the CATERed Board has taken the decision to cease school meal provision to prevent a situation of wrongful trading, and to give schools time to secure alternative providers. This is a Board of Director decision and not a shareholder decision.** The accounts will not be published on a 'going concern' basis because of this decision – which means that Directors are complying with legal obligations to present a 'true and fair' view of the position.

### CATERed challenges

The CATERed Board have worked relentlessly to balance the books for many years, particularly since the Covid pandemic, as food, energy and staffing costs have risen significantly. Over the years, the companies reserves have been diminishing. Funding for school meals has not kept pace with rising food, energy and staffing costs.

- Food inflation over the last three years has been more than 50% and expected to be a further 5% by end of year.
- Labour costs have increased by circa 28% in the last three years.
- There is significant disparity in funding in free school meals (FSM) and universal infant free school meals (UIFSM) between England, Wales, Scotland and London, which has created a further challenge for CATERed in Plymouth:
  - England (Plymouth) = £2.61
  - Wales = £3.40
  - Scotland = £3.30
  - London = £3.00

Recent challenges have further complicated the picture:

- With greater academisation and MATs run from outside of the city, financial pressures on academies have meant some have looked to tender provision and opt to join other providers
- Introduction of National Insurance costs of approximately £100,000 in 2025/26, which schools have been asked to contribute towards (at approximately £1,700 each), although not all schools have agreed to pay this
- Poor turn out on census day (which drives the UIFSM funding levels for the year)
- Continued food inflation now means that there is a mismatch between the funding and revenue generated versus the costs of producing the food.

Consequently, Plymouth City Council (through a S151 officer decision) signed off a package of support (likely to cost PCC more than £600,000) to see the company through to the end of the academic year 2025/2026.

### **CATERed's efforts to improve market position**

Extensive work has been undertaken from day one to engage with parents, pupils and schools including our pupil-led City-wide Children's Food Panels, working with suppliers in schools and assemblies to encourage healthy eating, choices and education, working with The University Dietetics Team and local fishers for the development and trialling of The Plymouth Fish Finger project, farm visits as well as regular in-school activities and support to schools with parent engagement, pupil induction days, playground food taster days after school, online social media to support enrolment for FSM and UIFSM identifying the important need for parents to register and claim FSM to support schools with additional budgets through Pupil Premium.

- The company has run children's engagement and activities around food and food and cookery demonstrations for both the Seafood Festival on the Barbican and Flavour Fest in the City Centre.
- CATERed's Big Summer Food Tour was set up before the Holiday Activities and Food (HAF) programme was ever dreamed of by the Government. Supported entirely through staff providing services free during school holidays and suppliers donating food we were able to feed tens of '000's of children in City Parks and open spaces free of charge every year from 2015 – 2020, only stopping post-COVID.

- All suppliers actively understand the CATERed ethos and cooperative approach and have supported us throughout.
- CATERed have a dedicated Creative Content Apprentice (who is due to complete her apprenticeship in the spring next year) and evidence of our social media presence and school, pupil and parent engagement is available on Facebook, LinkedIn, Instagram, Tik Tok and X (formerly Twitter).
- Most recently, CATERed were awarded the LACA Awards for Excellence Business Marketing Award in 2025 recognising the work of this apprentice.

### **Stakeholder Engagement**

Stakeholders have been informed at the earliest possible opportunity. The decision to cease trading is a decision undertaken by the CATERed Board of Directors and CATERed Ltd needed to follow the correct process of informing schools, staff and suppliers, adhering to the correct order, on their decision. Following this communication, PCC and CATERed have issued wider communications and arranged for a member briefing at the earliest opportunity. Neither CATERed Directors, nor PCC as shareholders, would want a situation where school catering staff found out about the financial difficulty for the company through the media, rather than being informed first hand by managers.

### **Ongoing school meal provision**

The statutory duty for school meals is the responsibility of the schools and their governing bodies. School meals in Plymouth will not cease but schools and academies will need to either take the service in-house and provide directly or commercially tender the service. There are other providers who will bid for the business.

The statutory responsibility is for:

- The provision of a free school meal to those pupils and students registered as eligible under set criteria
- The provision of a universal infant free school meal to those eligible (ages 4 – 7) (KSI and KS2)
- The provision of a paid meal on request
- All school food is required to meet the mandatory School Food Standards for Lunch and the School Food Standards for Food Other Than Lunch.

### **Next steps**

To summarise, the decision to cease school meals from July 2026 is a decision which has been undertaken by the CATERed board, to avoid breaking wrongful trading laws and provide schools with sufficient time to make plans for the next academic year. This has not been a shareholder decision. Directors have had to manage communications carefully, to ensure that staff did not find out through the media.

The next steps:

- **To note** that Catered will cease to trade and will need financial support to operate until July 31st.
- **To note** the response from CATERed and Plymouth Schools Shareholding Company in relation to providing a share of financial support, which includes increasing the free school meal contribution from the current 90% to 100% from May 2026 to generate additional income for the company to support the financial burden. Whilst also to seeking other reductions where possible.
- **Delegated Executive Decision** to agree that PCC will provide financial support for the period 1st April – 31st July in a form to be confirmed - we are working this through with CATERed.