

PLYMOUTH CITY COUNCIL

Subject: Education Catering Service: Creation of a Local Authority Trading co-operative Company

Committee: Cabinet

Date: 17 June 2014

Cabinet Member: Councillor McDonald

CMT Member: Carole Burgoyne (Strategic Director for People)

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Ref: I060595

Key Decision: Yes

Part: I

Purpose of the report:

To consider the creation of a Local Authority Trading co-operative Company: the healthy, local, school food cooperative in the light of school funding reforms.

Following real collaborative and joined up work between schools, the education catering service and the Council to secure and ensure the future of school food services in a viable, sustainable and cooperative manner it has been demonstrated by words, actions and budgetary outturn how services such as school food can be delivered in a mutually beneficial and cooperative way.

The cohort of educational establishments within the proposed structure includes maintained infant, junior, primary and special schools and academies.

Not only does this proposal and recommendation allow for the sustainable, affordable and viable service delivery in to the future but crucially is perhaps the first time that such significant numbers of individual schools and governing bodies have insisted on working together with the service for the greater good and benefit of all children and young people across the City - putting those pupils at the very heart of service planning – and sharing risk.

The co-operative trading company through its partners as shareholders will work to deliver efficient, economic, viable and sustainable services committing budgets to provide fair access to services for all and for the benefit of all.

The collaborative work of all partners as shareholders in the trading co-operative will focus and galvanise all aspects of local and regional priorities and, where possible, procurement linked to education, health and well-being of all stakeholders into the future.

The attention of Cabinet Members is drawn to the business case and appendices which are submitted in part 2 of this agenda as they contain commercially sensitive information.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

The Education Catering Service and this proposal to create the City's first local authority trading co-operative truly reflects the Council's Brilliant Cooperative Plan, vision and objectives:

Pioneering Plymouth: the service is viewed nationally for its work and also for the pioneering way that we have worked with schools and the primary head teachers association and governors in a truly altruistic way for the greater good and shared risk.

Growing Plymouth: the service now and in the future has demonstrated the benefit to the local and regional economy through its procurement of fresh, local and seasonal produce. This creates employment and wealth to be re-invested in to the city. Creating the cooperative to present greater freedoms and increasing the business opportunities will allow for increased direct employment of staff.

Caring Plymouth: the service provides statutory free school meals across the City and to pupils in school settings with specific dietary needs. The service also provides community meals to a number of adults as referred by Adult Social Care and the opportunities and freedoms presented by the cooperative will allow for this area to grow.

Confident Plymouth: good food, leading to better nutrition (across all ages) leads to better attainment and future prospects. For children and young people the cooperative will allow the Council and schools to play a vital role in setting the health and well-being agenda for a generation leading to greater employment opportunities and fulfilled lives. For others, community meals allows for the Council and the cooperative to support citizens to retain their freedoms and independence.

Implications for Medium Term Financial Plan and Resource Implications:

Including finance, human, IT and land:

None. The budgets for the school food services are all delegated to schools following School Funding Reform in 2013 and do not represent any Council or Council Tax Payer funding. Delegated budgets are for schools and academies to determine how best those should be spent and, with de-delegation prohibited, schools were offered and agreed as a cohort to "pool" all funds to support each other and share risk as an interim arrangement pending the creation of the alternative delivery structure – the local authority trading cooperative.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

This proposal will support the Council's aims and objectives of minimising Child Poverty through support to schools of maximising take-up of free school meals thereby maximising household incomes and increasing employment opportunities for families. The service is actively working with schools to maximise the registration and receipt of Pupil Premium.

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? Yes

Recommendations and Reasons for recommended action:

It is recommended that, subject to final due diligence checks and negotiations with schools, Cabinet accept this proposal to allow the Education Catering Service to be created as a Local Authority Trading cooperative Company jointly owned with schools with effect from 01 September 2014 in order to (a) put school food production and service at the heart of schools (b) allow for cost effective and efficient delivery of services with appropriate freedoms to secure additional business and back office support (c) ensure delivery of statutory requirements of school food and (d) demonstrate that services can be delivered in a truly cooperative way at nil cost to the Council incorporating the full co-operative model and ideals into the Governance and Board.

The final decision to proceed is delegated to the Cabinet Member for Children, Young People and Public Health in consultation with the Cabinet Member for Finance and the Assistant Director for Finance. This is providing that the degree of risk, as advised by officers, of proceeding after the completion of due diligence, negotiations with schools and implementation planning is acceptable. The reason for this is to allow implementation to continue without further Cabinet approval, within the tolerances set out in the business plan subject to the satisfactory outcome to negotiations with schools.

Alternative options considered and rejected:

1. Schools runs services directly and independently
2. Outsource service through OJEU and commercial tender to private sector
3. Cease service provision (statutory service)

Published work / information:

The School Food Plan: www.schoolfoodplan.com

Universal Infant Free School Meals: www.gov.uk/government/publications

Ref: DFE-00073-2014

School Funding Reform – “Next Steps towards a fairer system”

www.gov.uk/government/publications

Ref: DFE-00029-2012

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Equality Impact Assessment	x									

Sign off:

Fin	Djn. 1415 .09	Leg	LT 1993 6	Mon Off	DVS /204 48	HR	HR- CS0 2.6.1 4	Assets		IT		Strat Proc	
Originating SMT Member: Judith Harwood													
Has the Cabinet Member(s) agreed the content of the report? Yes													

1.0 Introduction

- 1.1 There is a statutory requirement for nutritionally compliant school meals to be provided in all schools and academies by virtue of the Education Act 1996, the Education and Inspections Act 2006 (plus amendments in 2007, 2008 and 2009) and now the Children and Families Act 2014.
- 1.2 The requirement is to provide a nutritionally compliant Free School Meal (FSM) to those pupils registered as eligible under set Government criteria (based on household income and access to benefits), a Paid for Meal upon request of the pupil or parent / guardian and now, from September 2014, a free school meal to all pupils aged 5 – 7 (i.e. those pupils in Reception, Year 1 and Year 2) a Universal Infant Free School Meal (UIFSM).
- 1.3 Furthermore, although these statutory responsibilities transferred from the Council to individual School Governing Bodies upon delegation, an inability by schools to meet these needs will directly impact the aims, pledges and priorities of the Council.
- 1.4 In Plymouth, we have supported the provision of school food as a centrally delivered service since local government re-organisation in 1998 and have made significant investment in the service and infrastructure over the last 7 years including refurbishment of 40-plus school kitchens and, with Exceptional Capital funding have designed, built and installed 20 new kitchens where schools previously had no facilities, ending transported meals across the City.
- 1.5 The Education Catering Service is recognised nationally for its high profile work producing high quality school food with a dedicated and committed frontline staff (circa 250 employees) using fresh, seasonal and locally sourced produce wherever possible.
- 1.6 The service is a Fairtrade champion, supporting the City's Fairtrade status and works with schools through its Fairtrade Schools Group to provide support with educational activities with support from our local suppliers and, in conjunction with School Nutrition Action Groups (SNAG) work to increase awareness of Fairtrade and the number of Fairtrade items and ingredients used on school menus
- 1.7 The service was the first local authority caterer in the country to achieve the Soil Association's Food for Life Gold Catering Mark and is the current holder of EDUcatering Excellence Award as Local Authority Caterer of the Year 2013, runner up in the Cost Sector 2014 Service Team of the Year and is nominated for MJ Excellence Award 2014 as Best Council Services Team.
- 1.8 The service is a founder member of Food: Plymouth and the Sustainable Food City network and is currently working with these partners (including the National Marine Aquarium) to secure Sustainable Food City and Sustainable Fish City status.

2.0 Reason for change

- 2.1 As a consequence of School Funding Reform – “Next Steps towards a fairer system” the budgets for the provision of school meals across the City were required to be delegated with effect from 01 April 2013. De-delegation was specifically prohibited.

- 2.2 The funds available are all central Government funds from the Dedicated Schools Grant (DSG) and cover FSM (current eligibility criteria), equipment maintenance, repair and replacement, statutory H & S plus other statutory aspects, trade waste collections and utilities. Additional revenue funding for UIFSM is due in June 2014.
- 2.3 There is no central or corporate budget to pay staff or purchase food and ingredients. This is funded from FSM and paid meal income. This is a truly traded service.
- 2.4 As a result of the agreed scheme of delegation it was apparent that individual schools would receive varying sums of money and that individually they would be unlikely to be able to continue to maintain their kitchens, employ staff and deliver the food service.
- 2.5 As a centrally provided service the Council had also, to date, provided some additional financial support at year-end for the reducing, but ongoing, costs of job evaluation. As a consequence it was considered highly likely that schools would be forced to close school kitchens, fail in the statutory delivery of school food resulting in staff redundancies and loss of business and income for local and regional food and ingredient producers and wholesalers and the consequential loss of the Social Return on Investment (SORI) as recognised by the independent report by the New Economic Foundation in 2012 which identified that the benefit to the local and regional economy was £3.04 for every £1.00 spent.

3.0 Action, consensus and positive cooperation

- 3.1 Working collaboratively, and building on the trust and strengths of relationships between schools, the Plymouth Association of Primary Head teachers (PAPH) and the education catering service it was relatively easy to identify a very clear and politically altruistic way forward.
- 3.2 Schools and partners liked and valued the services they were receiving. They wanted to retain yet strengthen the partnerships and working arrangements that were in place. They understood what should be provided and what needed to happen.
- 3.3 For the financial year 2013/14, all those schools and academies receiving services from the Education Catering Service agreed to “pool” the entire delegated funds in a spirit of true cooperative thinking to support each other, share risk and ensure continued provision of high quality food, at the same cost to all pupils regardless of where they lived or attended school.
- 3.4 Schools entered into this “pooled” budget arrangement for the period 01 April 2013 onwards on the understanding that this was an interim arrangement until the creation of an alternative delivery structure was created and, as a group, asked that the Education Catering Service provide the service during this period of transition.
- 3.5 Schools supported the “pooling arrangement” fully intending that it would ultimately lead to the setting up of a company which had a strong schools representation.
- 3.6 Cabinet, recognising this consensus, also agreed, for a fixed term and at a year-on-year and reducing level, to support schools financially with the additional costs of job evaluation pending identification and agreement on a sustainable, viable city-wide service delivery model. PAPH and schools welcomed this additional support.

- 3.7 A School Food Steering Group was convened in January 2013 consisting of representatives from PAPH, PAG (Plymouth Association of Governors), Headteachers from maintained primary and special schools, academies, governors and school business managers as well as officers from the service, HR, Finance and others as appropriate to the agenda and topic.
- 3.8 There were clear and defined Terms of Reference and a short, focussed and targeted task and finish programme of meetings and agenda: to explore options for the future delivery of a sustainable school food service in which schools would be integral to the service delivery. See Appendix A (Part I).

4.0 Local improving performance and take-up of school meals

- 4.1 Take up for the year ending 2012/13 equated to a circa 38% which, although marginally below the national average of circa 40% is the highest in the South West. Working cooperatively with schools and PAPH this last year has paid significant dividends with take-up in individual schools increasing by around 10% and a significantly improved financial outturn position for the overall business. Appendix B – Year-end Comparison 2012/13 v. 2013/14 (Part II)

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/14
Paid for Meals	1,038,342	870,837	856,376	863,531	806,499	806,513	896,915
Free school meals	552,398	518,209	566,950	611,224	611,566	632,394	633,874

- 4.2 Providing every child with the Best Start in Life and improving health inequalities and outcomes are key City objectives. By ensuring that children and young people from all backgrounds are able to access high quality, freshly prepared school food using fresh, seasonal and local ingredients which also meet the mandatory food and nutritional standards this service plays a pivotal role. In particular the service supports colleagues in schools, the Council and Public Health to:
- “Reduce Child Poverty” and “Reduce the gap in life expectancy by at least 10% between the lowest fifth of areas with the lowest life expectancy and the population as a whole by 2020”; and,
 - “Decrease the rate of childhood obesity in Year 6 children by 10% by 2020”
 - “Boost local purchasing” - an independent review by the New Economics Foundation (NEF) reported that food purchases by the service from local and regional suppliers contributed £1.2 million to the economy annually and for every pound spent saw a return of £3.04.
- 4.3 The announcement of UIFSM from September 2014 provides a significant opportunity to increase the take up of meals. This will allow the opportunity for more children from all backgrounds to receive high quality, freshly prepared, locally sourced food. In addition the increase in volumes will:
- increase funding and income levels to move the service on to a more sustainable footing
 - increase local procurement and spend into the local economy

- increase employment opportunities, and;
- through re-investment of surpluses, maintain the kitchen estate to support not only lunch but also breakfast and after-school provision
- allow for creative use of the kitchen facilities and staff to support the delivery of the new curriculum requirement to provide practical cookery to all pupils up to the age of 14.

5.0 A cooperative future and a plan for traded growth and development

- 5.1 Through extensive engagement, schools have signalled a very clear desire to work collaboratively and cooperatively with the Council through PAPH Cooperative CIC to create a local authority trading co-operative company as a first stage move towards a fully Co-operative Trading Entity over a given period. See Appendix C – list of schools and academies (Part I).
- 5.2 The proposal is that the trading cooperative will be 51% Council owned and 49% owned by schools and will be a company limited by shares.
- 5.3 External legal advice has been received and the Governance and Board Structure has been set-out as appropriately constituted with One School: One Vote.
- 5.4 Co-operative aspects woven into the Governance and Board structures will provide for : -
- Members of the Co-operative (in this case schools) to have a controlling influence over the direction of the organisation which will positively impact service quality.
 - The comparatively low risks to managing high costs associated with in house provision/ maintaining the status quo.
 - The ability of the members of the organisation e.g. service users to benefit from the success of the organisation which improves local ownership, control and oversight.
- 5.5 The freedoms provided by the local authority trading cooperative will enable continued delivery of nutritionally balanced menus and efficient procurement of food, contributing to the city strategy, corporate objectives and better services to priority customer groups (children and young people and those living in the most deprived wards) and crucially allow for schools, parents / guardians and pupils to be assured of the continued delivery of locally sourced, fresh, seasonal, cost effective and safe food and ingredients.

6.0 Additional mutual and cooperative outcomes and benefits

- 6.1 The influence and control schools and the Council can exercise over services, in particular in its ability to appoint the board of directors which will positively impact service quality.
- 6.2 The comparatively low risks to managing high costs associated with in-house provision/ maintaining the status quo, combined with the advantage of avoiding the costs of procurement under the TECKAL exemption.
- 6.3 The ability of the Local Authority co-operative Trading Company to manage its financial relationship through dividends paid back the trading cooperative and through the control with the organisation to provide services. Schools, with the Council, retain control over the surplus/ dividend.

- 6.4 The development of this new Cooperative model with schools as shareholders, through PAPH Co-operative CIC (representing schools) will be the torchbearer for achieving the City's ambition of being a Co-operative Council and allows opportunities for other stakeholder groups to take control of the direction of the services delivered.