

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR YOUNG PEOPLE

3 April 2018

Report of the Strategic Director for Children's Services

**RESERVE CAPITAL FUNDING TO SUPPORT CATERING SERVICE
PROGRAMME 2018-19**

1. Purpose of the Report

To seek approval to create an earmarked reserve for capital expenditure on:

- a) Non-routine replacement and upgrading of school catering services within Derbyshire schools.
- b) Capitalisation of routine replacement of catering equipment exceeding the value of £10,000 when appropriate.

2. Information and Analysis

Derbyshire Catering Services provide approximately 60,000 meals per day to 380 primary, special and secondary schools and Academies' across Derbyshire. These are delivered through kitchen facilities on school premises or through feeder schools which employ 1,500 catering staff across 256 sites. The service currently employs 1,500 staff to ensure quality meals are provided to schools in accordance with our contracts to Schools and Academies. Turnover (Revenue) for 2013/14 was £20.0 million, for 2014/15 was £21.8 million, for 2015/16 was £23.1 million, and for 2016/17 was £24.2 million.

In 2012, funding for primary school budgets were reviewed by central government. The Government's aim was to move to a national funding formula and to simplify local funding arrangements with as much funding as possible delegated to schools.

Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. Delegated funding has no particular conditions on how a school uses it, provided any expenditure supports the core purpose of the school.

Delegated budgets means schools have the choice to buy-in the school meal provision with Derbyshire County Council, manage the service themselves or contract to a private sector provider (normally via a formal tender process or a framework).

Buy-back of the Authority's meal service is strong at present but it is operating in an increasingly competitive environment, especially in the secondary sector. The market is changing as academy chains operate across the Authority and groups of schools look to commission services in different ways.

With the implementation of Universal Infant Free School Meals in 2014, more than 84% of children in Reception, Year 1 and Year 2 are taking up the offer of a healthy school lunch every day. As such, several private sector companies are now beginning to compete to provide these services when schools go out to tender.

As part of this process and under the terms stated in the contracts between Derbyshire Catering Services (DCS) and individual schools, it is the responsibility of DCS to purchase and replace catering equipment that requires upgrading as part of a scheduled replacement programme.

To continue to offer a competitive service to schools, there is a need for further additional work to be carried out to upgrade related catering equipment within the service which will improve the working conditions within kitchens and dining areas, and continues to support the increased uptake of school meals.

Catering aims to cover all its costs including overheads and investment in service upgrades over a period of years and therefore requires that catering surpluses can be earmarked and ring-fenced to fund upgrades and equipment replacement in future years. This can be achieved by the use of an earmarked reserve.

3. Financial Considerations

The Catering Service is expecting to generate a surplus circa £300,000 in 2017/18 and it is proposed that £100,000 is transferred into this earmarked reserve to fund future upgrades and equipment replacement. The service has already identified a need to upgrade equipment at New Mills School in 2018/19 which is anticipated to cost approximately £75,000.

It is intended that this reserve would be available to Catering Services to ensure that sufficient funds are set aside when the service has created a surplus to fund upgrades in future years but that the maximum value of the reserve at any one time is not envisaged to

exceed £100,000. It is proposed that any unused reserve will be released to Children's Services.

The Schools Service Level Agreements for each school benefiting from these investments will be amended to ensure that the cost of the investment will be recovered over the length of the contract with the school. This will include recovery of the cost of the investment from the school, should it cancel its contract with Catering Services in favour of another supplier before the sum has been fully recovered.

4. Social Value Considerations

It is proposed that whoever is appointed to co-ordinate the schemes and work to replace equipment will, where appropriate, capture and deliver social value initiatives with specialist suppliers.

Whoever is appointed to implement these schemes will need to take into account the use of the local workforce to carry out projects, the potential of employing apprentices to assist with bespoke duties and the payment of the Living Wage to staff.

Other social values have been identified as the continued effective and efficient delivery of school meals and assistance in reducing on-going costs. These efficiencies will help to reduce the charge to schools, thus easing the financial burden of meal provision whilst allowing finances to be utilised on other key budget areas appropriate to the individual school.

5. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality and diversity, environmental, health, human resources, legal, property and transport considerations.

6. Background Papers

Files held within the Children's Services Department, Catering, Chatsworth Hall Site, Matlock.

7. Key Decision

No

8. Call-in

Is it required that call-in be waived in respect of the decisions proposed in the report? No

9. Strategic Director's Recommendations

That the Cabinet Member approves the creation of an earmarked reserve up to £100,000 for non-routine replacement and upgrading of school catering services as detailed in the report.

Jane Parfremment
Strategic Director for Children's Services