



**Report of** Chief Officer Civic Enterprise Leeds

**Report to** Director of Resources & Housing

**Date:** 30<sup>th</sup> October, 2019

**Subject:** Design & Cost Report for Primary School Kitchen Investment

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## Summary

### 1. Main issues

- The Primary School Catering services provides a lunch and in some instances breakfast clubs to 170 of the City's primary schools representing approximately 80% of the primary school catering market.
- The primary school catering service has a 2019/20 income budget of £14.3m and in 2018/19 generated a net managed return of £1.1m. The service generates a significant amount of revenue for the directorate and makes a significant contribution to the health and wellbeing and child friendly priorities for the Best Council Plan. However, despite this financial and outcome contribution the service, until recently, did not have a capital programme in place to sustain and protect current income levels and continue to build on its important contributions to the Best Council priorities.
- During 2018/19 the service consulted extensively on its revised offer to primary schools in order to protect and sustain income levels from reducing school budgets and academisation and to build on its continuing good work to provide healthy nutritious menus in support of both important health and education attainment targets. The revised offer involved capital investment in school kitchen facilities in return for schools agreeing to 5 year agreements and with clarity in the agreement around the impact of school closure following snow days (so that there's no adverse financial impact on the service).

## **2. Best Council Plan Implications**

- Approving this report allows the service to contribute towards achieving the Best Council Plan, specifically around the health and wellbeing and child friendly priorities.

## **3. Resource Implications**

- Any costs which will be incurred as a part of the procurement will be incurred in accordance with Contract Procedural Rules to ensure that value for money is obtained from the procurement exercise. Should a school terminate the agreement early, the revised SLA has provision for termination costs which would become payable and this factors in recovery of outstanding financing and residual value costs of the heavy kitchen equipment.

## **Recommendations**

The Director of Resources and Housing is asked to:

- a) Give Authority to Spend of £1.5m from within the approved Capital Programme 2019-20 for primary schools kitchen equipment investment.
- b) Authorise a procurement exercise for the supply and fitting of school kitchen equipment.

## **1. Purpose of this report**

- 1.1 This report seeks authority to spend approval of £1.5m from within the approved capital programme for the procurement and fitting of school kitchen equipment for those schools who agree to 5 year agreements for catering Leeds to provide their catering service.
- 1.2 Retaining and increasing the number of schools which the Primary school catering service will help the Authority in delivering against the Best Council priorities of health and wellbeing and child friendly.

## **2. Background information**

- 2.1 The Catering service forms part of Civic Enterprise Leeds and comprises several distinct operational sub divisions employing over 560 FTEs. One of the key divisions of the service is Primary School Catering providing a lunch and in some instances breakfast clubs to 170 of the City's primary schools representing approximately 80% of the primary school catering market.
- 2.2 The primary school catering budget has a 2019/20 income budget of £14.3m and in 2018/19 generated a net managed return of £1.1m. The service generates a significant amount of revenue for the directorate and makes a significant contribution to the health and wellbeing and child friendly priorities for the Best Council Plan. However, despite this financial and outcome contribution the service, until recently, did not have a capital programme in place to sustain and protect current income levels and continue to build on its important contributions to the Best Council priorities.

### **3. Main issues**

- 3.1 The primary school catering service within Civic Enterprise Leeds provides school dinners to 170 primary schools throughout Leeds and this represents approximately 80% of the primary school catering provision within Leeds. The income levels on the service grew significantly following the Government's introduction of Universal Infant Free School Meals (UIFSM) in 2014 for children in key stage 1 (from reception through to year 2) in all state funded primary schools . In 2013/14 the primary school catering income budget was £12.3m and by the time the full year effect of UIFSM had been incorporated in 2015/16 it had increased to £15m and has remained at around that level for most of the following financial years.
- 3.2 In 2018/19 the service generated a net managed return of £1.1m and given its share of the primary school catering market in Leeds plays a key role in contributing to the Best Council priorities of health and wellbeing and child friendly. Given the size of the income budget, the Primary School Catering service does not have a capital programme to support, sustain, protect income levels and also play a significant contribution towards the aforementioned Best Council priorities.
- 3.3 Following an extensive consultation exercise with our customers (head teachers and business managers of schools) our proposal to invest, where necessary, in schools' heavy kitchen equipment in return for a standard 5 year SLA (the current length is one year) was met favourably. As a part of the consultation we made clear that the revised SLA would clarify that any school closures as a result for example of snow, would still lead to a charge for lunches for children in key stage 1 (these will be budget neutral for the school because of the money schools receive as part of UIFSM) to enable the service to continue to recover its fixed staffing costs. To date 60 schools have given a commitment to sign up to the SLA so we need to ensure that we can start the process of identifying what equipment is needed at the different schools and start the procurement process to enable expenditure against the funding included within the approved 2019/20 capital programme.
- 3.4 The benefit of introducing a capital programme to sustain the income levels of the service is that it allows the service to match similar offers being made by some of our competitors and contains the threat of the adverse income effect that academisation and competition has had on income levels. Since 2016/17 income has fallen by £600k from £14.9m to £14.3m in 2018/19, this initiative should help to sustain and build on the income levels and also allow longer term planning of service provision on the introduction of healthy, nutritious menus so that the service can have an increasing strategic influence on the health and wellbeing of the majority of primary school children in Leeds and making an improved contribution to the Best Council priorities.
- 3.5 The Catering Service has for some time had a strong focus on healthy nutritious menus to support learning and development at an early age. The service hopes to be successful in rolling out 5 year SLA to all of its schools which should provide a strong platform to secure and build on the service's contribution to the health and wellbeing of its younger citizens giving them the best possible healthy start in life.
- 3.6 There are an increasing number of primary schools within Leeds who have deficit budgets and introducing a heavy kitchen equipment investment programme will have the dual benefit of easing pressures on school budgets (any schools which become financially unsustainable revert to be the responsibility of the Local Authority) whilst helping to protect and potentially build on the Catering service's primary school income budget over a 5 year period.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 This scheme enables the Council to protect the income the Catering Primary school service generates and to continue to make a significant contribution to the health and wellbeing and child friendly priorities for the Best Council Plan. The Executive Member for Resources and Housing has been consulted and is supportive of the proposals.
- 4.1.2 A number of headteachers and business managers who are known influencers within their specific area of the city were consulted to gain their views on alternative business models. All stakeholders agreed that they would be really interested in exploring the alternative model and once the investment level and contract term was confirmed, would put this to their governors for approval. Furthermore, a number of sessions with "Family School Groups" were held, this has covered approximately 40 schools and feedback has been 100% positive with all agreeing that the investment in heavy equipment would be welcomed by both headteachers and business managers. The Catering service are now in the position of being able to sign up at least 60 schools to a 5 year SLA, consultation with the remaining schools will begin in the new academic year 2019/20.
- 4.1.3 Colleagues in Legal Services have been consulted on the revision to the catering SLA.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 The recommendation within this report does not have any direct nor specific impact on any of the groups falling under equality legislation and the need to eliminate discrimination and promote equality.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 Approving this report allows the service to contribute towards achieving the Best Council Plan, specifically around the health and wellbeing and child friendly priorities.

#### Climate Emergency

- 4.3.2 Investment in the installation of new energy efficient equipment in primary school kitchens will contribute towards Leeds meeting its low carbon economy objective.

### **4.4 Resources, procurement and value for money**

- 4.4.1 Any costs which will be incurred as a part of the procurement will be incurred in accordance with Contract Procedural Rules to ensure that value for money is obtained from the procurement exercise. Should a school terminate the agreement early, the revised SLA has provision for termination costs which would become payable and this factors in recovery of outstanding financing and residual value costs of the heavy kitchen equipment.

## 4.5 Capital Funding and Cash Flow

Funding Approval :	Capital Section Reference Number :-						
Previous total Authority to Spend on this scheme	TOTAL	TO MARCH	FORECAST				
	£000's	2019 £000's	2019/20	2020/21	2021/22	2022/23	2023 on
			£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL	TO MARCH	FORECAST				
	£000's	2019 £000's	2019/20	2020/21	2021/22	2022/23	2023 on
			£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	1500.0		500.0	1000.0			
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>1500.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL	TO MARCH	FORECAST				
	£000's	2019 £000's	2019/20	2020/21	2021/22	2022/23	2023 on
			£000's	£000's	£000's	£000's	£000's
LCC Funded	1500.0		500.0	1000.0			
	0.0						
<b>Total Funding</b>	<b>1500.0</b>	<b>0.0</b>	<b>500.0</b>	<b>1000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>500.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Scheme Number:**

## 4.5 Legal implications, access to information, and call-in

- 4.5.1 The Director of Resources and Housing has delegated authority to approve Authority to Spend for all capital schemes.
- 4.5.2 Colleagues in Legal Services have been consulted on the proposed 5 year SLAs with schools.

## 4.6 Risk management

- 4.6.1 The revised SLA has been reviewed by colleagues in Legal Services. The procurement exercise will be conducted in line with Contract Procedure Rules to further mitigate against any risks.

## 5. Conclusions

- 5.1 Approval of this report will enable the Authority to procure a heavy kitchen equipment for schools, secure and grow the market share of school catering within Leeds and provide a strong platform to build on the service's contribution to the health and wellbeing of its younger citizens giving them the best possible start in life.

## 6. Recommendations

The Director of Resources and Housing is asked to:

- a) Give Authority to Spend of £1.5m from within the approved Capital Programme 2019-20 for primary schools kitchen equipment investment.
- b) Authorise a procurement exercise for the supply and fitting of school kitchen equipment.

## **7. Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.