

Author: Kate Evans (x35682)

Agenda Item No: 4C

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEMBER FOR YOUNG PEOPLE**

**8 July 2019**

**Report of the Executive Director for Children’s Services**

**RESERVE CAPITAL FUNDING TO SUPPORT THE CATERING SERVICE  
PROGRAMME 2019-20**

**1. Purpose of the Report**

To seek Cabinet Member approval to create an earmarked reserve for capital expenditure on routine replacement and upgrading of school catering equipment within Derbyshire schools.

**2. Information and Analysis**

Derbyshire’s Catering Service provides approximately 55,000 meals per day to 369 primary, special and secondary schools and Academies’ across Derbyshire. These are delivered through kitchen facilities on school premises or through feeder schools. The service currently employs 1,500 staff to ensure quality meals are provided to schools in accordance with the contracts. Turnover (Revenue) for 2018/19 was £25.5 million.

In 2012, funding for primary school budgets was 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.

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

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).

With the implementation of Universal Infant Free School Meals in 2014, more than 85.3% 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 any 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 proposing to invest £240,000 of its traded income to facilitate essential future upgrades and replacement of equipment.

Expenditure on routine replacement of equipment where the replacement value exceeds £10,000 must be treated as capital expenditure in the Authority's accounts and is therefore required to be approved by the Executive Director and included within the Authority's Capital Programme.

It is proposed that the investment will be made across two schools as follows:

#### **Anthony Gell School**

The Service has identified that due to legislative requirements, Property Services is due to undertake a programme of works to install an appropriate mechanical ventilation upgrade which will in turn require the relocation of the cooking equipment. As part of this scheme and to meet contractual obligations, the Catering Service is required to fund the purchase of

replacement kitchen equipment. It has been recognised that, at this time, it would be pertinent to include the reconfiguration of the service area (hot and cold counters, till points and ambient display areas). This will enhance the dining experience for pupils and reduce queueing times therefore increasing the average spend per pupil. The cost of the investment is estimated to be in the region of £130,000 and therefore falls into the Authority's Capital Programme.

### **Highfields School**

The increasing pupil roll has required the School to review the use of all available space. An assessment of the kitchen has identified that the 6th Form kitchen is under-utilised and there is the potential to remodel the area to become a teaching zone.

Following discussions with the School, the Service has identified that this request presents an ideal opportunity to relaunch the failing 6<sup>th</sup> Form Catering Service that would increase income and provide an on-trend offer meeting the requirements of this discerning age group. The cost of the investment is estimated to be in the region of £110,000. The business model forecasts that this investment will be recouped over the 5 year period of the contract and thus will fall into the Authority's Capital Programme. The proposal will allow the Service to install a purpose-built counter and preparation area.

The Schools' Service Level Agreements for each school benefiting from these investments will be amended to ensure that the cost of the investments 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 concerned, should it cancel its contract with the Service 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 Service, 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. Executive Director's Recommendations**

That the Cabinet Member approves an earmarked reserve of £240,000 for capital expenditure on routine replacement and upgrading of school catering equipment at Anthony Gell School and Highfields School.

**Jane Parfremment**  
**Executive Director for Children's Services**