

EAST AYRSHIRE COUNCIL

EDUCATION COMMITTEE: 16 SEPTEMBER 2003

SCHOOLS CATERING CONTRACT REVIEW

Report by the Director of Educational and Social Services

1. PURPOSE OF THE REPORT

- 1.1 To request the approval of the Committee to vary and modernise the charging arrangements for school meals transacted between the onsite Business Unit and the Department of Educational and Social Services.

2. BACKGROUND

- 2.1 The onsite Services Business Unit reporting to the Director of Educational and Social Services provides the school catering service.
- 2.2 East Ayrshire Council's commitment to Best Value and continuous improvement have resulted in a more customer focused relationship between Onsite and the Schools. It is proposed that a simplified version of the contractual agreement be developed to improve transparency, accountability and understanding for the users, clients and customers involved, and address the charging mechanism for service improvements which have taken place.

3. CONTRACTUAL BASIS

- 3.1 The original contract tendered in 1990 details the arrangements for the provision of service provided and remain the basis of the operational service requirements and financial recharge mechanism.
- 3.2 The existing financial recharge mechanism rebases to a 1990 price base. This is outmoded and it is therefore proposed to amend and update the existing recharge mechanism.
- 3.3 In addition new services have been introduced through Catering Charters and the innovation of Metro and Deli food service systems which need to be incorporated satisfactorily into the recharge mechanism.

4. FINANCIAL ASPECTS

4.1 The contractual agreement for providing the school meals is based on a fixed and variable bid.

The schools catering contract consists of a Fixed Charge (A bid), Meals Charge (B bid) and other catering (C bid). In addition there are also recharges for special catering, milk, equipment and a client management fee.

4.2 Fixed Charge

The fixed charge is processed as 1/13th of an agreed annual total for each school.

This figure is calculated to cover catering costs per premise including: Labour, Transport, Management overhead / profit, telephones, stationery, administration, light equipment, protective clothing, disposables, cleaning materials, corporate overheads, insurance etc.

The recharge basis is at a 1990 cost base with annual increases based on the All Items Index for the fixed charge and since the formation of East Ayrshire the annual increases have been based on budgetary increases agreed by the Director of Finance.

4.3 Meals Charge

The charge for meals provided is a variable charge to cover the cost of food only. This is based on a percentage amount per meal, where a meal is calculated on the number of free meals and the cash income.

It has proposed to simplify this calculation and re-base it at 2000-2001 budget figures. The proposed calculation is based on maintaining Onsite's % income in line with current figures with a simplified calculation more easily verifiable by schools where the standard meals charge will be based on Education Income received for paid and free meals. This will result in a reduced charge to Education's School Meals account which assuming current levels of uptake for the service described below;

4.4 Summary of Comparison to Current Charge

<u>Type of School</u>	<u>Contract %</u>	<u>Old Basis</u>	<u>New Basis</u>	<u>Difference</u>
Primary	44%	£ 417,972	£ 415,257	£ -2,715
Special	45%	£ 1,598	£ 1,886	£ 288
Secondary	50%	£ 113,341	£ 112,257	£ -1,085
Secondary Metro	55%	£ 328,584	£ 306,304	£ -22,280
Total		£ 861,495	£ 835,703	£ -25,792

5. FINANCIAL IMPLICATIONS

- 5.1 Assuming current levels of uptake of the school meals service there will be a reduction in charge to the Department of Educational and Social Services of £25,792. The onsite Business unit ability to achieve its budgetary targets for this service in 2003/04 will not be affected.

6. IMPLEMENTATION AND REVIEW

- 6.1 The above changes to the basis of recharge would be implemented retrospectively from 1st April 2003 with a review date agreed as 1st January 2004. The review will monitor the basis of the new agreement in line with expected budget figures.

7. LEGAL IMPLICATIONS

- 7.1 Nil

8. POLICY IMPLICATIONS

- 8.1 There are no policy implications but this will facilitate a more clear and transparent agreement between onsite Services and schools.

9. RECOMMENDATIONS

- 9.1 It is recommended that the Education Committee note and approve this variation to the charging mechanism between its onsite Business Unit and the Department of Educational and Social Services.

J Mulgrew
Director of Educational and Social Services
11 September 2003

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LIST OF BACKGROUND PAPERS

Contract Catering Review Agreement Schedule.

Members wishing further information should contact John Mulgrew, Director of Education, Tel: (01563 576017) or Robin Gourlay, Contracts Manager, Tel: (01563 555710).

