

Information for schools in the NCC Group Catering Contract with Norse Increase to school meal prices from 1 April 2016

Summary

Norse Catering are proposing to increase the price of school meals for those schools in the NCC Group Catering Contract, due to the impact of the introduction of the National Living Wage on the cost of providing school meals. This increase will be 10p per meal for children's meals and 15p + VAT for adult meals, and will come into effect on 1 April 2016.

This paper sets out the projected impact of the National Living Wage on the staff salary costs of catering staff employed in schools by Norse Catering, and the consequential proposed increase in the price of school meals provided via the NCC Group Catering Contract.

There is an obligation for the Local Authority to consult with the School's Forum on proposed changes to LA contracts where there is a direct impact on schools. This consultation took place in October 2015, and School's Forum noted the contents of the report, whilst accepting the reasons for, and the necessity of the price rise.

1.0 Introduction

1.1 Norfolk County Council currently has a Group Catering Contract in place with Norse Eastern Limited, for Norse Catering Service to provide school meals to those schools that sign up to a Service Level Agreement. The contract period runs from 1 April 2014 until 31 March 2017.

1.2 The Group Contract requires the contracted price (i.e. a fixed sum based on type of centre and number of meals per day, plus an amount per meal) to remain consistent for the first 2 years of the contract, and for Norse Catering to meet from within that price any increase in costs. However, paragraph 2.7 allows for an increase in the third year contract price; as long as any increase is fair and reasonable, taking into account the following four factors:

- The First Year Contract Sum
- The Retail Prices Index, in particular for food
- The Earnings Index (All), together with trends in local rates of pay and any actual pay increase Norse intends to pay
- The Norse turnover during the first year.

1.3 Additionally, paragraph 5.8 specifically references increases in employment costs, as follows:

- In the event that during the Contract period any European Union directive, Local Government Pension Scheme, Act of Parliament or regulation made thereunder places obligations upon Norse Eastern Limited as an employer which could not have been reasonable foreseen by them at the date this

Agreement commenced, and leads to an increase in the cost incurred by them in complying with those obligations placed upon them as an employer, the increase in cost may, following negotiation and agreement between NCC and Norse Eastern Ltd, form an addition to the Contract Price by way of an increase in the rates and prices payable under the Agreement.

2.0 The National Living Wage

2.1 The Government has announced the introduction of a National Living Wage, which will come into effect from 1 April 2016, whereby over 25s will have to be paid at least £7.20 per hour, rising to £9.00 per hour by April 2020, although the annual increases have not yet been finalised.

2.2 The National Minimum Wage still applies to those under 25, with the rate from 1 October 2015 being £6.70 per hour for over 21s.

2.3 Although the introduction of the National Living Wage only directly impacts on the hourly rate paid to those on the lowest pay, there is likely to be a consequential impact on all other pay rates, to ensure appropriate differentials are maintained.

3.0 Current Contract Prices & Meals Uptake

3.1 In those Norfolk Primary-phase schools that are within the contract, the contract prices are as follows:

The fixed sums currently payable are:

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| • For kitchens with under 100 meals cooked per day | £ 7,520 |
| • For kitchens with over 100 meals cooked per day | £10,454 |
| • For dining centres with under 50 meals served each day | £ 6,220 |
| • For dining centres with over 50 meals serviced per day | £ 7,076 |

The current meal prices have remained static since 2011, and are:

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| • For a two course meal with drink (paid, free & UIFSM) | £2.10 |
| • For a two course adult duty meal | £2.15 + VAT |
| • For an adult duty meal, main course only | £1.70 + VAT |

3.2 The current meal price has been held for the past 4 years. During the contract period, there have been above-inflation rises in food costs which Norse Eastern has absorbed by identifying efficiency savings.

In additional, the introduction of the School Food Standards in January 2015, as part of the School Food Plan, has seen the requirement for catering providers within the education sector to provide a greater selection of fresh fruit and vegetables as well as a milk drink daily. Whilst Norse is proud to comply and to be associated with such guidance, this has added additional cost to the meal time provision.

3.3 Currently, Norse Catering is providing a school meals service via the Group Contract to over 270 Norfolk Primary-phase schools. With the introduction of the Universal Infant Free School Meals initiative, they are now serving in excess of 25,000 meals per day.

4.0 Options Appraisal

4.1 The introduction of the National Living Wage in April 2016 will see the catering workforce receive a minimum pay rate of £7.20 from the current £6.70 National Minimum Wage. In line with all increases to the minimum rate of pay, Norse intends to maintain pay differentials and increase all rates.

4.2 Norse Catering has carried out an assessment of the cost to their business, and the labour cost increase across those Primary-phase schools in the Group Contract has been calculated as amounting to £395,667 for the 2016/17 financial year. The ongoing increase each year until 2020 will also impact on the price base moving forward.

4.3 Consideration was given to various options for recouping the cost of the increase. This included the following:

- No increase within the current contract period
- Increase to the fixed sums from April 2016
- Increase to the fixed sums and the price per meal from April 2016
- Increase to the price per meal from April 2016.

4.4 A price comparison with statistical neighbours showed their current prices for a 2 course child's meal with drink as:

Suffolk Group Contract:	£2.30
Cambridgeshire Group Contract:	£2.25

4.5 A similar comparison of the cost of adult duty meals suggests varying prices ranging from £2.90 to £3.50 per day + VAT.

4.6 Consideration was given to ways in which schools offset meal costs against levels of income. Current levels of income are:

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| • Paid meals – paid by parents/ carers | £2.10 |
| • Free meals – funded via £400 increase in Pupil Premium | £2.1053 |
| • UIFSM – grant funded | £2.30 |

4.7 In order to recover the full increase in labour cost from April 2016, each option would require the following:

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| • Increase to each lump sum (based on 270 schools): | £1,467.00 |
| • Increase to each meal provided (based on 25,000 per day): | 8.34p |
| • Increase to each lump sum of at least £588 + amount per meal of 5p. | |

5.0 Conclusions

5.1 It was felt that, as the overall impact on cost was considerable, and would continue to increase until at least 2020, it was not feasible to wait until the new contract round before amending the price base.

5.2 It was also felt that, in order to recoup the sum required to cover the increase in cost, any adjustments to the fixed sums would need to be quite significant and would therefore penalise very small schools, and adversely impact on their revenue budgets, especially as they would not be able to recover any of the increased cost from income collected.

5.3 A similar rationale as above, plus increased complexity, meant that the increase to both lump sum and price per meal was discounted as unrealistic.

5.4 It was therefore felt that the most transparent method, that would also maximise the opportunity for schools to recover the additional cost, would be by increasing the price of meals. In order to minimise administration, and allow for any further cost pressures to be mitigated, it was felt that an increase of a rounded sum was most appropriate. Accordingly, a proposed price increase of 10p per meal was felt to be most appropriate.

5.5 The cost of adult duty meals was also considered as part of this exercise. The cost is currently only 5p more than that for a child's meal, despite the portion sizes being significantly more. It was therefore felt that it would be appropriate to increase the cost of an adult duty meal by more than that added to the cost of a child's meal.

6.0 Price Increase from 1 April 2016

6.1 Following due consideration, Norse Catering will increase the price per meal for Primary-phase schools in the NCC Group Contract by 10p to £2.20, with effect from 1 April 2016.

6.2 Additionally, Norse Catering will increase the price per meal of adult duty meals for Primary-phase schools in the NCC Group Catering Contract by 15p to £1.85 + VAT for a main course, and £2.30 + VAT for two courses, with effect from 1 April 2016.

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