

Catering at Grant-Maintained Schools in England



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Catering at Grant-Maintained Schools in England

Thursday 12th November
Lamb Ragout
with Mashed Potato
£1.10
Vegetable Stir Fry
with Rice
£1.10
Orange Sponge
with Custard
35p



Executive summary

Introduction

1 At 31 March 1998 there were 1,195 grant-maintained schools in England with responsibility for educating over 750,000 pupils. In 1997-98 these schools received government grants of about £2 billion paid by the Funding Agency for Schools (the Funding Agency). Around 20 per cent of all pupils of secondary school age in England are educated in grant-maintained schools.

2 Under the School Standards and Framework Act 1998, all schools will be offered the chance to become community, voluntary or foundation schools. Most grant-maintained schools are expected to become foundation or voluntary schools which, like grant-maintained schools, will employ their staff and own their premises, but will be funded directly by their local education authority from 1 April 1999, with the new schools' framework coming fully into effect on 1 September 1999.

3 Since 1992 we have visited 360 grant-maintained schools in England, about a third of the sector. We have published five reports and produced six good practice guides on key aspects of financial management (Appendix 1). We have also issued management reports to each school we visited.

4 In general, most grant-maintained schools have responded well to the challenge of managing their own finances. Where we have found scope for schools to tighten up procedures, for example, on corporate governance and strategic planning, or to achieve better value for money, on areas such as purchasing and provision of services, we have made recommendations for improvement.

5 This, our sixth and final report on the grant-maintained sector, examines catering. Overall, catering income and expenditure are substantial – each amounting to an estimated £55 million in 1996-97 – and there is a possibility of savings. Because the Government has now decided to delegate the funding of school meals to the governing bodies of all locally managed secondary schools (with this being optional for other schools), our findings are likely to have wider application.

6 Schools should aim to provide attractive mid-day meals to their pupils at an affordable price. They should take account of the tastes of their pupils, the concerns of parents, proper nutritional standards, good hygiene, and costs.

Against this background, schools financial arrangements for catering should offer good value for money for the tax-payer as well as offering a fair return to those who provide the service, whether this is an in-house team or contractors.

7 This report does not claim to be representative of the sector as a whole, but does aim to set out some features of good practice in the provision of school meals. It is based on a range of evidence including visits to 21 grant-maintained schools in England, the advice of experienced consultants on school meals, and discussions with other experts in the schools educational sector.

8 Based on our examination, in our view schools should:

An effective strategy for catering

Recommendation 1

Have a clear idea about the service they wish to provide, for example, by setting out clearly their current and future catering requirements in their strategic or development plan or in a separate catering plan.

Recommendation 2

Set clear financial and performance objectives for catering, for example whether catering is to run at a profit, break even or be subsidised with low prices, and set budgets and targets accordingly.

Recommendation 3

Make an informed decision based on market evidence on whether to provide the catering service themselves, or contract it out.

Establishing sound financial arrangements

Recommendation 4

Appoint contractors only after a competitive tendering process, which should include proper reference to information about costs and quality.

Recommendation 5

Have in place a formal written contract.

Recommendation 6

Seek contracts, or service level agreements in the case of in-house catering, that provide for opportunities to improve the service offered; and where appropriate sharing any financial consequences of improvements secured between the schools themselves and the providers of the service whether they be the staff concerned or the catering company.

Improving budget setting and monitoring

Recommendation 7

Produce budgets and management accounts throughout the year, to show the full cost of catering, including overheads, and the full extent of income, including free and paid meals subsidies based on local education authority financial provisions. This will enable the governing body to agree and monitor performance overall, and take informed decisions about financial objectives for the catering operation.

Recommendations 8 and 9

Schools using contractors should:

- Agree with the contractor an annual budget, phased over each month or accounting period of the year. This should include performance measures or target percentages for gross profit and areas of expenditure.
- Monitor contractors' actual performance by comparing contractors' monthly operating statements/invoices with the budget and targets and discuss any variations with the contractor. For example, they might ask the contractor to provide evidence that all appropriate purchase discounts have been passed on to the school, and for evidence to support other charges such as training and payroll.

Recommendation 10

Schools with in-house catering should set an annual budget phased across the year with targeted percentages for gross profit and areas of expenditure and regularly monitor actual performance against the budgets and targets set.

Improving the take-up of school meals

Recommendation 11

All schools should consider whether the introduction of a wider menu variety and healthy eating events might increase food sales.

Recommendation 12

Examine the scope to increase sales and improve customer flow, for example, by:

- considering the introduction of a staggered lunchtime service to relieve congestion; and
 - ensuring that they have a catering policy that meets the needs of their pupils.
-

Enhancing cost effectiveness

Recommendation 13

Set out a clear charging policy for school meals linked to the financial objectives of their catering service.

Recommendation 14

Review price levels, perhaps through benchmarking exercises against other schools in the area and food providers close to the school. Transparency in contractor's costs is a key requirement here for some schools. Staffing levels, remuneration and productivity are also important.

Monitoring customer satisfaction

Recommendation 15

Consider undertaking periodic surveys of pupils and staff, perhaps by pupils as part of a project, to see how the service could be improved.

Part 1: Introduction

The grant-maintained schools' sector in England

1.1 From 1988 until the enactment of the School Standards and Framework Bill in 1998, schools in England were able to opt out of local education authority control, subject to a ballot of parents and approval by the relevant Secretary of State (the Secretary of State for Education and Employment since July 1995). Following approval, schools have been funded directly by central government grants. Underlying the philosophy of self-government has been the concept of increased parental choice, encouragement of diversity and improvement of standards, and it is the Government's intention that this concept will continue to be a key feature within the new schools' framework.

1.2 At 31 March 1998, there were 1,195 grant-maintained schools in England with responsibility for educating over 750,000 pupils (Figure 1). Around 20 per cent of all pupils of secondary school age in England are educated in grant-maintained schools.

The size of the grant-maintained sector at 31 March 1998

Figure 1

Secondary schools and their pupils are the major part of the sector.

	Secondary	Primary	Special	Total
Number of schools	667 (56 %)	508 (43 %)	20 (1 %)	1,195
Number of pupils	613,547 (81 %)	137,428 (18 %)	1,923 (1 %)	752,898

Source:

The Funding Agency for Schools

1.3 The range of grant-maintained schools is diverse, covering special, primary and secondary schools. There are rural, urban and inner city schools; non-denominational and denominational schools and a hospital school. They vary in size from 20 pupils up to 2,200. The sector is also geographically widespread with grant-maintained schools in most local education authority areas in England.

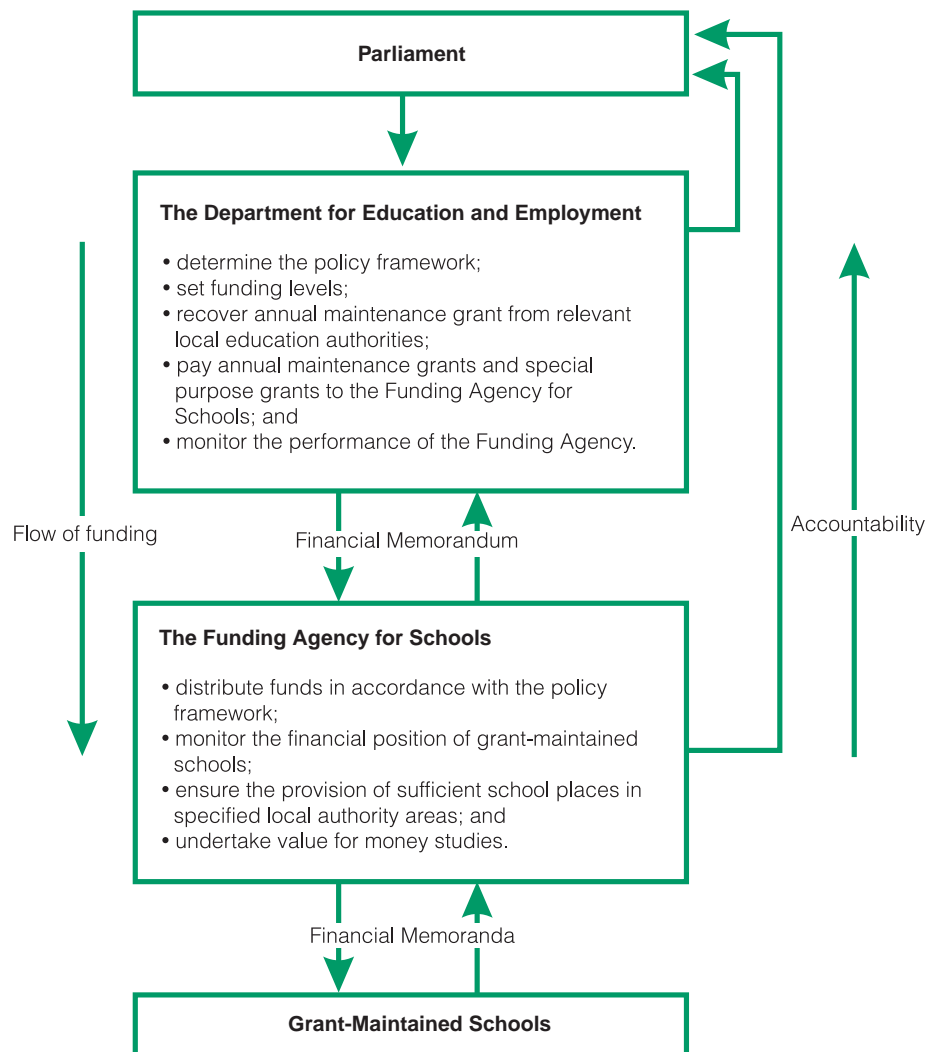
1.4 Since 1 April 1994, the Funding Agency for Schools (the Funding Agency) have been the funding authority for grant-maintained schools in England. In 1997-98 they paid grants of about £2 billion to schools, including annual maintenance grants of £1,737 million, capital grants of £152 million, and special purpose grants of about £87 million. The other main functions of the Funding

Agency are to monitor the financial position of schools, to ensure that sufficient school places are provided in certain areas, and to carry out value for money studies.

1.5 The Funding Agency are accountable to the Department for Education and Employment (the Department), who determine overall policy for the sector, provide the funding for specific grants, and recoup annual maintenance grants from the local education authorities where grant-maintained schools are located. Each school is accountable to the Funding Agency for grants paid to them (Figure 2).

Responsibilities and accountabilities for grant-maintained schools in England

Figure 2



Note: Financial memoranda govern the financial relationships between the body making the grant and the recipient and specify the terms and conditions of funding. Each funding body monitors compliance with the memoranda.

Source: The National Audit Office

1.6 Under the School Standards and Framework Act of July 1998, all schools will be offered the chance to become community, voluntary and foundation schools, and most grant-maintained schools are expected to become either foundation or voluntary schools. Like grant-maintained schools, foundation schools and voluntary aided schools will employ their staff and own their premises but will be funded directly by their local education authorities instead of the Funding Agency. The present functions of the Funding Agency will cease on 31 March 1999, local education authorities will fund grant-maintained schools from 1 April 1999 and the new schools' framework will come into force fully on 1 September 1999.

Previous National Audit Office coverage of grant-maintained schools

1.7 Regulations issued under the Education Reform Act 1988 gave the Comptroller and Auditor General access to the books and records of grant-maintained schools. Subsequently, the Education Acts of 1993 and 1996 required the Comptroller and Auditor General, in each session of Parliament, to report to the House of Commons on the results of value for money examinations which he has undertaken at grant-maintained schools.

1.8 Since 1992, we have visited about a third of grant-maintained schools, to carry out value for money examinations (Figure 3). We have also revisited 20 schools to follow-up our earlier recommendations.

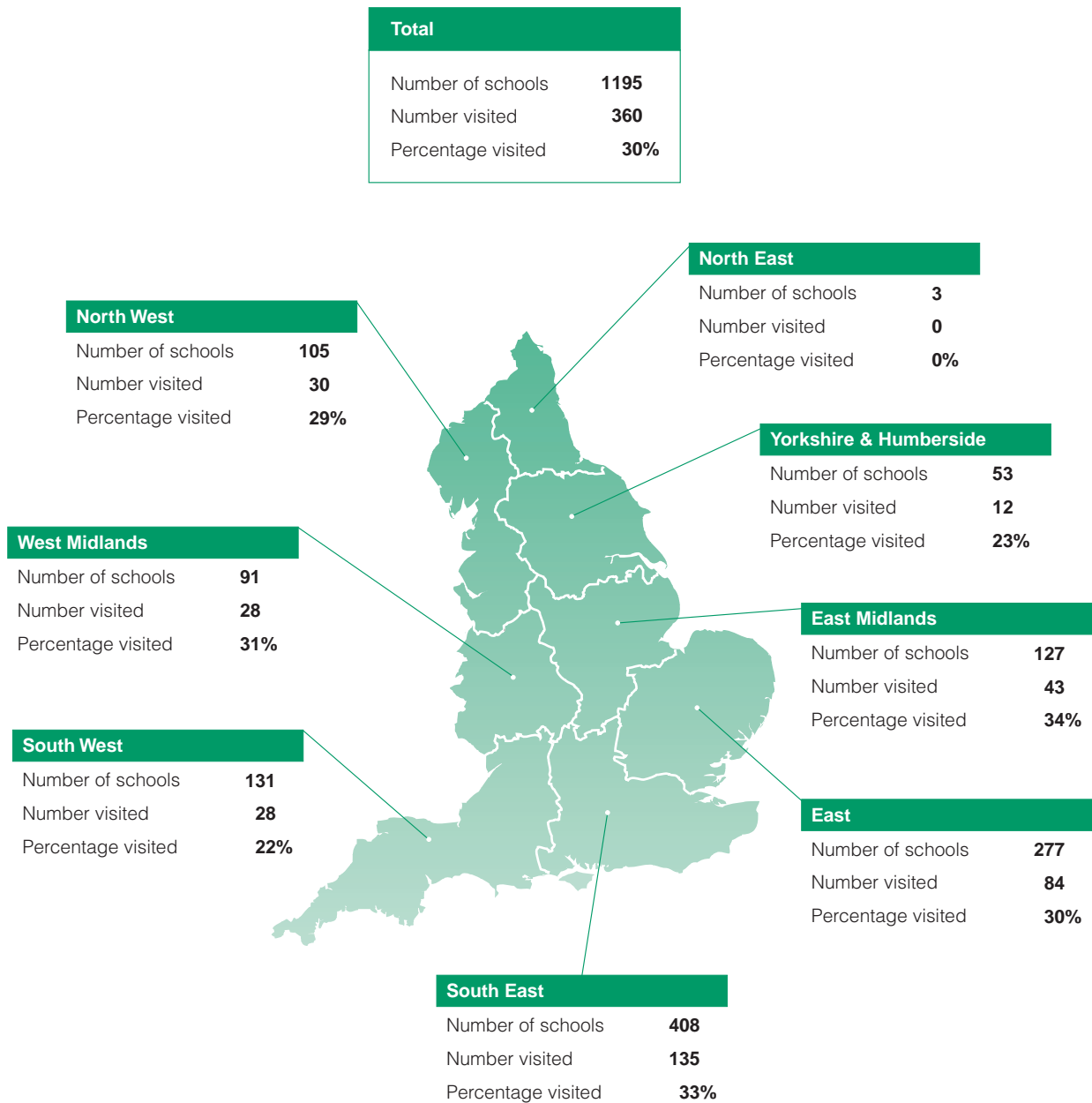
1.9 We have published five reports to Parliament on the results: on Financial Controls (1993); Performance (1994); Planning For Change (1995); Good Stewardship (1996); and Financial Health and Information Technology (1997). We have also issued six good practice guides on key aspects of financial management (Appendix 1), and management reports to each of the schools we visited.

1.10 In general, most grant-maintained schools have responded well to the challenge of managing their own finances. Where we have found scope for schools to tighten up procedures, for example, on corporate governance and strategic planning, or to achieve better value for money, on areas such as purchasing and provision of services, we have made recommendations for improvement.

Figure 3

Regional distribution of grant-maintained schools in England showing those visited to date by the National Audit Office

The National Audit Office have visited almost a third of the schools in the grant-maintained sector.



Source: National Audit Office

The importance of school catering

1.11 School catering services are provided for pupils as a welfare provision additional to the core function of the school which is the delivery of education. When planning and providing a meals service a school's key priority is to ensure that pupils receive a nutritious mid-day meal and such other services as are necessary to contribute to their effective learning. In doing so, schools have to take account of the needs of pupils bringing packed lunches to school, and the concerns of parents especially for younger children.

"Food is a pleasure to be enjoyed ... Food is also important for young people's immediate and future health. Schools can help young people develop good eating habits both through the food they offer and through the curriculum".

Sir Kenneth Calman, Chief Medical Officer.

"Eating Well at School", Departmental dietary guidance for school food providers, 1997.

1.12 Against this background, we have focused our sixth annual report to Parliament on schools' catering because:

- catering income and expenditure are substantial, each amounting to around £55 million in 1996-97. During our revisits to schools in 1996-97, we identified potential scope for savings; and
- the Government has now announced its decision to delegate the provision and funding of meals to the governing bodies of all locally managed secondary schools, with this being optional for primary and special schools. Therefore our findings on the management of catering could have a far wider application.

Departmental policy on school meals

1.13 Since 1980, when nutritional standards and national price control over school meals were abolished, there has been no legal requirement for schools to provide a meal service except for pupils entitled to free school meals. From September 1999 the School Standards and Framework Act 1998 provides for the setting of nutritional standards for school meals and for local education authorities to be required to provide a paid school meals service when requested to do so by (or on behalf of) a registered pupil. (A chronology of key events in the history of school meals is at Appendix 2.)

Responsibilities for school meals

(a) Policy and funding

1.14 In addition to determining the policy framework for school meals, the Department provide through regulations and guidance, a mechanism to enable local education authorities to calculate their expenditure on school meals. They also collect statistical information on an annual basis from schools on the number of children taking meals, including those that are free. The Funding Agency have responsibility for calculating the free meals subsidy and the paid meals subsidy, if any, to be included within each school's annual maintenance grant. They carry out this calculation making use of data on the numbers of free and paid meals for pupils for the relevant local education authority based on audited information provided by schools. The Agency also produces the Rainbow Pack, a financial guide for the governing bodies and managers of grant-maintained schools. This includes a section on purchasing.

1.15 Schools receive subsidies for school meals as part of their annual maintenance grant, not on a standardised tariff, but as a share of what the local education authority has decided to spend on school catering. For example, in 1996-97 the free meals subsidy varied from £159 to £352 per pupil and the paid meals subsidy from nil to £271 per pupil. The variations in funding have to be taken into account when schools are deciding how to operate their catering services. Each school's level of funding is likely to influence what the school charges for food and decisions it makes about the operation of its catering services.

(b) Governing bodies' responsibilities

1.16 Governing bodies of grant-maintained schools must provide free meals in the middle of the day for pupils whose parents receive income support and for pupils over 16 who receive income support in their own right, if they choose to claim them. Pupils of parents who receive an income-based job seeker's allowance are also entitled to free school meals. Governing bodies decide the content, presentation and price of school food and set the standard meals allowance for those entitled to free meals, which need not be at the level of the free meals subsidy in their annual maintenance grant. They do not have the power to provide free meals to any other pupils.

1.17 Until 1998, governing bodies at grant-maintained schools had the option of providing a paid meals service to pupils not entitled to free school meals. Under the School Standards and Framework Act 1998, this will become a requirement, when requested to do so by (or on behalf of) a registered pupil. A charge must be made for the service and all pupils must be charged the same price for the same quantity

of the same item. If governing bodies receive a paid meals subsidy, they are not obliged to spend it on catering. On the other hand, if they wish, governing bodies may subsidise meals from school funds.

1.18 For pupils not taking school meals, governing bodies must provide facilities for pupils to eat the meals that they bring to school and not charge for these facilities. It is for the governing body to decide what facilities are appropriate.

Managing the catering service at grant-maintained schools

1.19 The 21 large secondary schools visited for the review have moved away from the concept of a set school lunch, and provide a wide choice of hot and cold meals at lunch-time, as well as a breakfast and a mid-morning break service. The main restaurant service is often supplemented by a sandwich bar, tuck shop facilities and vending machines that sell a variety of hot and cold food and drinks (see Figure 4). Catering services may also bake their own bread and cakes and provide a support service for seminars, concerts, parties, weddings, fetes and galas, thus generating additional income for the schools concerned.

Schedule of catering services – case study example

Figure 4

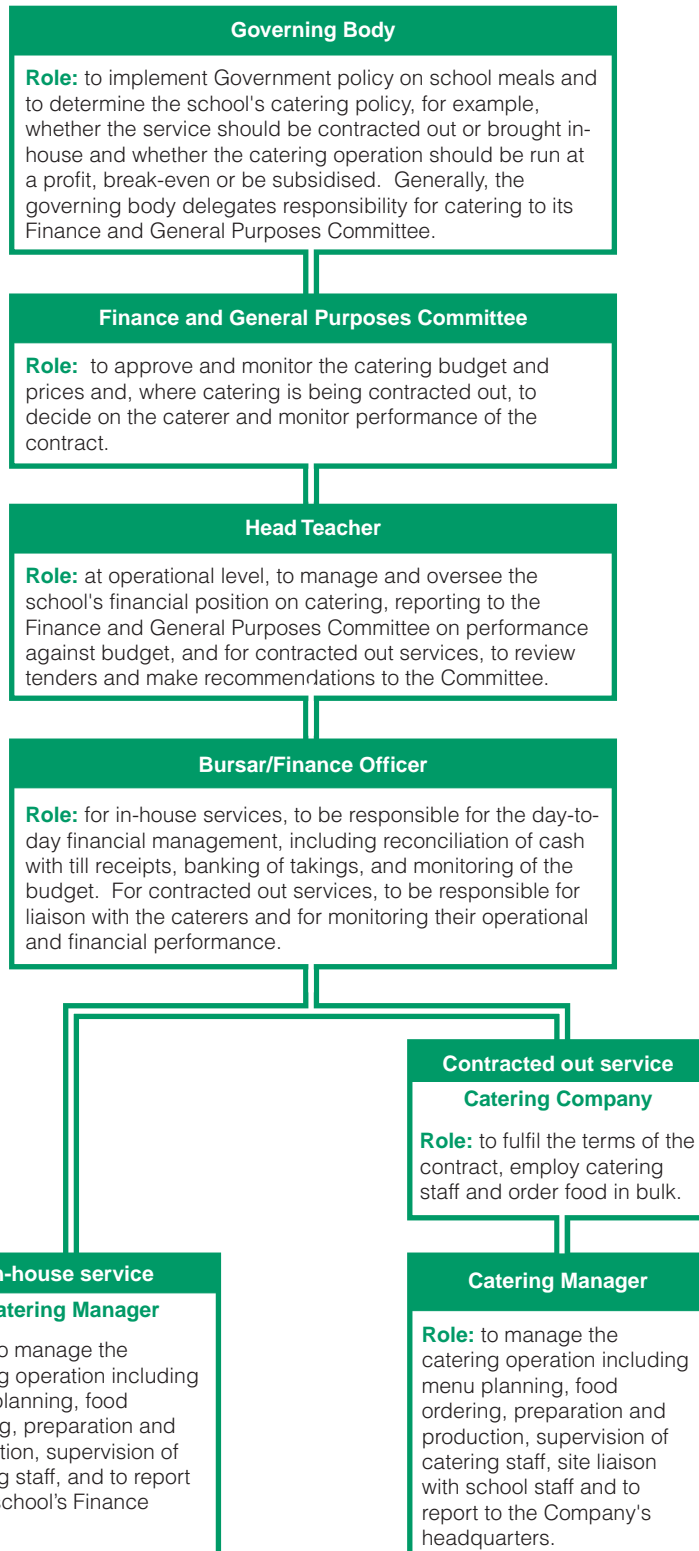
Breakfast 07.45-09.00	Bacon and sausage sandwiches, toast, home-made cakes and cookies, hot and cold beverages.
Morning break 11.00 – 11.15	Hot sausage rolls, sausage sandwiches (both hot and cold), chipped potatoes, home-made cakes and cookies, soft drinks.
	A snack service supplied to the staff room.
Lunch 12.30 – 13.50	Hot meals including healthy and vegetarian options, hot snacks, sandwiches, home-made hot and cold desserts, soft drinks.
Vending All day	Vending machines selling a selection of hot and cold food and drinks.
Shop 11.00 – 11.15 13.00 – 14.00	Snack items, pies, pasties, confectionery.

Source: National Audit Office

1.20 At strategic level, the governing body takes ultimate responsibility for approval and monitoring of the catering budget and for the letting of any catering contract and monitoring the contractor's performance. At operational level, the main responsibility for catering lies with the headteacher, through the bursar/finance officer and the catering manager (Figure 5).

Organisational structure for catering within grant-maintained schools - based on schools visited

Figure 5



Source: The National Audit Office

1.21 Prior to becoming grant-maintained, the catering service at most schools was provided as part of a local education authority contract let by compulsory competitive tendering arrangements governed by price alone based upon a set specification. On becoming grant-maintained, schools became responsible for their own arrangements, but in many cases the existing contract will have been kept in place or converted into a new contract with the same provider.

1.22 Schools becoming grant-maintained may have had inadequate facilities for meal preparation having been previously provided, for example, by a central kitchen at another school. This will have influenced the catering choices. In addition, contractors appointed by local education authorities may have made a contribution to school catering facilities, which would have had a continuing effect on the contractual arrangements.

1.23 Between 1993-94 and 1996-97, the number of grant-maintained schools managing their own catering operations increased from just over 160 (34 per cent of schools) to some 400 (38 per cent of schools). By 1996-97, 35 per cent of primary schools and 40 per cent of secondary schools were managing their own catering service (Figure 6). Thirty per cent of schools continued to have a service provided by or through the local education authority.

Scope and methodology

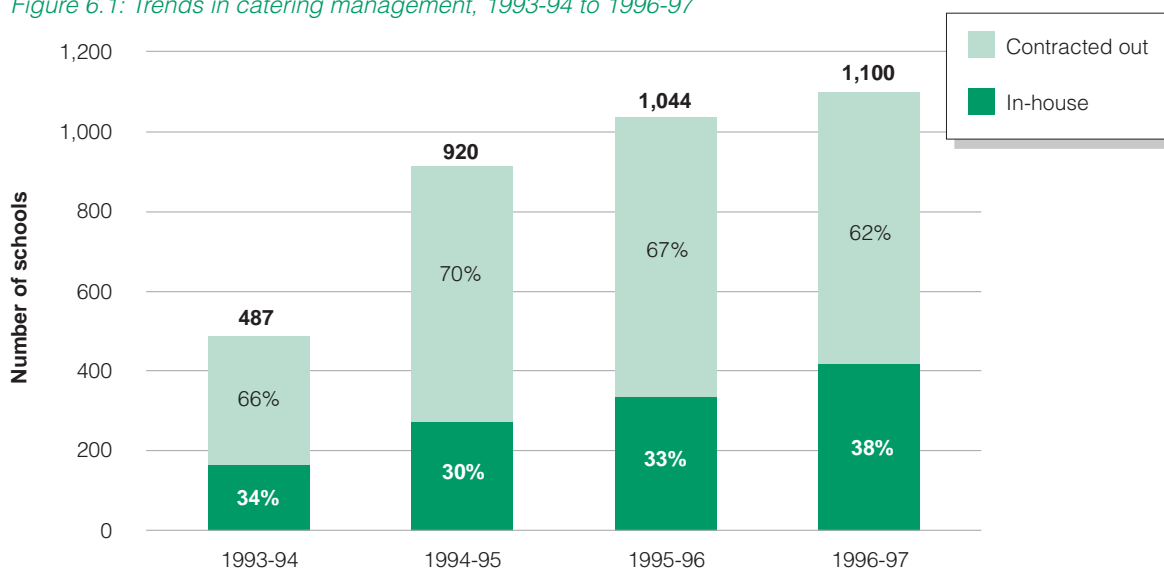
1.24 Against this background, we examined:

- **for contracted out catering**, the contracting arrangements, contractors' earnings, schools' monitoring of contractors' performance, and the performance of the schools' catering operations; and
- **for in-house catering**, the decision to bring the catering service in-house, monitoring financial performance, cost-effectiveness, customer satisfaction and hygiene, health and safety.

1.25 We commissioned Cater Check, a firm of catering consultants, who had already provided advice to schools on their catering operations, including a small number of grant-maintained schools, to help undertake the examination. In the early part of 1998, following a pre-visit questionnaire, they visited 21 schools, ten with a contracted out service and eleven running an in-house service. They observed and assessed catering practices and obtained the views of headteachers, school finance officers, catering companies and catering managers. The schools selected were large secondaries mostly in London and the south of England with

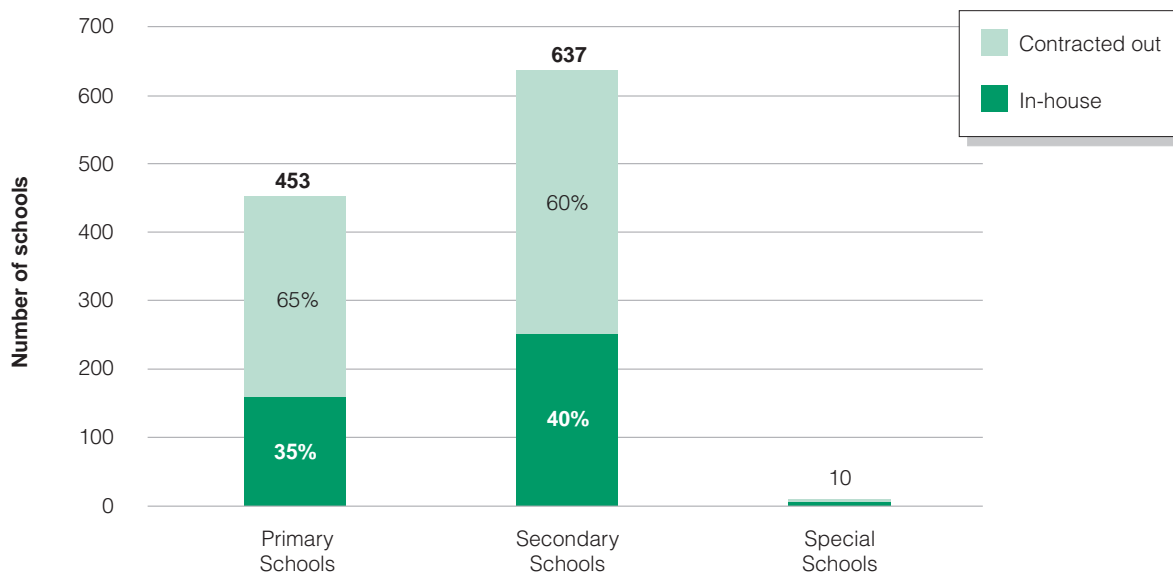
Figure 6 Contracted out and in-house catering services at grant-maintained schools

Figure 6.1: Trends in catering management, 1993-94 to 1996-97



Between 1993-94 and 1996-97, in-house catering services at grant-maintained school increased from 34% to 38% of the sector.

Figure 6.2: Catering management at primary, secondary, and special schools in 1996-97



In 1996-97, 35% of primary schools, 40% of secondary schools, and all special schools were operating their own catering service.

Source: National Audit Office's analysis of the Funding Agency for School's database.

- Notes:
1. A catering service has been categorised as contracted out if no catering staff costs are shown in the school's audited accounts.
 2. At 31 March 1997, there were 1,161 grant-maintained schools in England but 61 became grant-maintained during 1996-97 and have therefore been excluded from the analysis.

catering turnover ranging from about £100,000 to £280,000 each year (Appendix 3). This sample is not representative and the findings are not necessarily relevant for large secondary schools in other parts of the country, for smaller schools or for primary schools.

1.26 Subsequent to each visit, we sent a management report to the headteacher and the chair of the governing body of each school. The main recommendations made to schools and their responses are summarised at Appendix 4.

1.27 We would like to thank staff, governors and catering companies at the schools visited for their co-operation in this examination.

1.28 In April 1998, the Funding Agency undertook a survey of purchasing practices in grant-maintained schools, to which 53 per cent of the schools responded. This included questions on the management of catering. We have taken account of the results of the survey in this report.

Part 2: Contracted out catering

2.1 In this part of our report we examine, at the ten schools visited where catering was contracted out, the contracting arrangements, contractors' earnings, schools' monitoring of contractors' performance, and the performance of the schools' catering operations. The schools selected were large secondaries with catering turnover ranging from about £100,000 to £280,000 each year.

Contracting arrangements

Letting of the contract

2.2 Nine of the ten schools appointed their current contractor after competition, following the guidance set out in the Rainbow Pack. Invitations to tender were sought from three to eight firms and schools identified potential providers in a variety of ways:

- information supplied by the local education authority;
- the Grant-Maintained Schools Yearbook and Directory;
- the national catering press;
- catering roadshows; and
- the recommendation of other schools.

2.3 The one school which did not tender took the view that competition was not possible because of its poor catering facilities, namely, a kitchen and a temporary dining area in a bad state of repair. In these circumstances, the school renewed on like terms its contract with the existing caterer, who had been appointed by the local education authority under compulsory competitive tendering arrangements, without doing so in writing as required by the original contract.

2.4 On average, the schools received three formal tenders in response to their invitations. In one case, although the school tested the market, no formal tenders were received and the contract with the existing caterer, who had been part of the previous local authority arrangement, was extended. Figure 7 illustrates the type

of criteria used by schools in selecting their contractors. The main reasons cited for winning bids were value for money in terms of cost and the quality of service to be provided.

Bases for selection of catering contractors in schools reviewed

Figure 7

Criteria used:

- Overall cost, for example, a contract guaranteeing “no cost” to the school;
- Provision of a quality service including a wide menu choice and implementation of a healthy eating policy;
- Imaginative suggestions to improve the catering service with the caterer being prepared to fund and project manage the new developments;
- Sound health and safety procedures; and
- Good quality assurance procedures.

Source: National Audit Office

The form of the contract

2.5 Five firms of caterers provided the catering service at nine of the schools examined. One of these firms had a contract with four of the schools and another with two of the schools. At the tenth school, the catering agreement was with the Direct Services Organisation, the local council’s own caterers.

2.6 Except for two schools, there were formal written contracts in place. One school had no written agreement available and one had a catering budget agreed by both parties in place of a formal contract. The form varied extensively, even when the same contractor was used in more than one school, and while some were of a good standard, others required strengthening in key areas. Best practice was to set out matters such as the period of the contract, the contractor’s and the school’s obligations, observation of statutory and other regulations, quality of service, control of income, payment and financial matters, insurance, collusive tendering, soliciting of gifts and last but not least contract monitoring, including the need for the contractor to have an open book policy. In the absence of a formal contract, a school’s ability to take action in the event of unsatisfactory performance is restricted.

2.7 Best practice appeared to emerge when the school had a clear idea of its current and future catering requirements and communicated them to prospective contractors both in the invitation to tender and at briefings held before tenders were received. An important first step was for schools to decide the financial

objective of their catering service: essentially whether to run at a profit, break-even or be subsidised. In practice, we found that eight of the schools had set financial objectives for catering.

2.8 Performance guarantees and incentives can create a strong financial partnership between the school and caterer and focus the caterer's attention on managing the service effectively and efficiently. Three examples of contracts including sound financial performance guarantees or incentives are described below (Cases 1-3).

A guaranteed "nil cost" service/profit sharing arrangement

Case 1

Contract from April 1997 to Easter 2000.

"The company shall provide a nil cost catering service, and shall share equally all profits above the agreed level of income for the company of £15,000 per annum, provided that there is no disadvantageous change to the meals service from that at commencement".

The budget for 1997-98 forecast a break-even position.

A guaranteed "net profit" service

Case 2

Contract for the four years to March 1998, extended to March 1999. Limits were set on the following as a proportion of income:

Food costs: not to exceed 50 per cent. Where this limit was exceeded, the difference was to be returned to the school in the final invoice for that year.

Labour costs: not to exceed 37 per cent.

Sundry costs: not to exceed 4.25 per cent.

Profit: not to be less than 8.75 per cent.

The school made a net profit in each of the years 1994-95 to 1996-97 and a net profit was predicted for 1997-98.

An incentive fee

Case 3

Contract from September 1997 to August 2002.

The contractor put at risk his management fee against performance outcome. This was a reciprocal arrangement with the caterer being offered an incentive to increase his fee should performance be better than the budget set.

The budget was set for break-even in 1997-98.

Contractors' earnings

2.9 Contractors' income was generated by charging a formal management fee, and through the retention of purchase discounts and the addition of standing administrative charges. In all cases the management fee was clearly stated. However, we found that income from other sources was not always transparent to the schools during tendering or in practice.

2.10 In 1997-98 contractors' earnings from management fees ranged from 1 to 22 per cent of sales. The school where the management fee was 22 per cent had not put the catering service out to tender (paragraph 2.3), and the contract did not specify the level of fee to be paid to the contractor. Also, there was no catering budget for 1997-98, despite this being a requirement of the contract.

2.11 At seven schools, retained discounts on purchases of food and sundry items were a significant source of contractors' earnings. These ranged from an estimated £9,000 to £25,000 per annum, or from 14 per cent to 25 per cent of purchase costs. In total, these retained discounts amounted to an estimated £108,000 in 1997-98. These are conservative estimates since they relate only to discounts obtained on payment of invoices (known as settlement discounts). No information was available on any over-riding discounts subsequently obtained, for example, where the contractors had placed significant volumes of business with a particular supplier. In the other three cases, full discounts appeared to be returned to the schools.

2.12 At six schools, the contractor's invoice included standing monthly administrative charges, for example, for payroll at 4 to 5 per cent of the labour budget, and for training at 3.25 to 4 per cent. These charges were added on centrally when the account was produced and amounted to about £27,000 in total in 1997-98, ranging from £1,500 per annum at one school to £8,000 per annum at another.

2.13 There is limited scope for schools to recover purchase discounts retained by the contractor or administrative charges, unless such items are specifically excluded from their catering contract. However, when retendering or re-negotiating contracts, schools need to be able to identify the level of contractors' total earnings, including management fees, discounts arising and administrative charges. Our advisors suggested that a reasonable benchmark for contractors' total earnings for schools of this size and type was 8 per cent of sales (including free school meals). The actual level will vary according to the pricing policy adopted by the school. Working with our consultants, we were able to estimate the overall sums earned by each contractor in 1997-98 (Figure 8). At two schools, the contractors' total earnings were below the eight per cent level. At the other eight schools, total earnings ranged from 11 to 36 per cent of sales and were £5,900 to £43,200 above the benchmark. In total, at the ten schools, contractors' earnings were £233,100, 15 per cent of all sales. However, it is important to recognise that at all but one school, the contractor was appointed after competition. This demonstrates that the contractual arrangements reflect the market position.

Figure 8

Contractors' estimated earnings for 1997-98 in schools reviewed (£s rounded to nearest £100)

At the ten schools visited, contractors' estimated earnings in 1997-98 were £233,100 or 15 per cent of sales, with net earnings of £106,500 in excess of 8 per cent of sales. Nine of the ten schools appointed their contractor after competition to ensure value for money was achieved.

School	Earnings			Total	8% of sales	Under 8%	Above 8%
	Management fee	Administrative charges	Retained discounts				
	£	£	£	£	£	£	£
	(As a % of Sales)			(As a % of Sales)			
A	5,800 (3)	-	-	5,800 (3)	15,200	9,400	-
B	8,500 (5)	-	-	8,500 (5)	13,300	4,800	-
C	4,100 (4)	1,600	9,100	14,800 (15)	7,800	-	7,000
D	-	3,500	13,500	17,000 (13)	10,500	-	6,500
E	19,300 (14)	2,000	-	21,300 (15)	11,000	-	10,300
F	3,000 (2)	7,300	12,000	22,300 (11)	16,400	-	5,900
G	1,200 (1)	4,400	18,400	24,000 (14)	13,300	-	10,700
H	6,600 (4)	-	24,000	30,600 (19)	13,200	-	17,400
I	15,000 (9)	8,000	10,000	33,000 (20)	13,300	-	19,700
J	34,800 (22)	-	21,000	55,800 (36)	12,600	-	43,200
Totals	98,300 (6)	26,800	108,000	233,100 (15)	126,600	14,200	120,700

Earnings above the 8 per cent benchmark

Source: National Audit Office

Monitoring contractors' performance

2.14 None of the ten schools visited had produced or had required their contractors to produce long-term business plans for catering. Catering featured in only two schools' strategic development plans. The contract of another school dated January 1997 specified the preparation by the caterer of a three year business plan supported by annual budget plans to cover financial and business objectives, potential and growth, marketing strategies, investment, staff support and the anticipated annual return to the school. However, this business plan has yet to be produced. The Rainbow Pack provides guidance on strategic planning in schools, including the importance of covering all school activities in the plan.

2.15 Schools' arrangements for monitoring the caterers' performance against the contract varied from a detailed review of the contractor's monthly invoice and monthly meetings with the contractor at one school to a range of checks covering the budget, sales, purchases and customer satisfaction levels at other schools. Figure 9 summarises some examples of good practice.

How schools monitor catering contractors' performance – some good practice

Figure 9

Schools monitor contractors' performance in relation to the budget, sales, purchases and customer satisfaction levels.

Budget setting and monitoring

- Annual budget meeting with the contractor to discuss the previous year's performance and to set the catering budget for the new year phased over each month or accounting period;
- Contractor's monthly operating statement/invoice compared with the budget and meetings held with area and unit managers to discuss variances and resolve any queries on costs; and
- Contractor reporting each term or each quarter on outturn against budget to the governors' finance committee/meals committee with student council representatives attending some of these meetings.

Sales

- Agreeing menu prices set for the year and any subsequent price increase; and
- Contractor's monthly returns checked against daily records of turnover.

Purchases

- Monthly cross-check of purchases against invoices; and
- School notified of any change of supplier or terms of supply.

Customer satisfaction

- Headteachers and deputies eat daily in the dining room;
- Informal feedback from pupils and staff; and
- Formal feedback from pupils and staff, for example, through a survey undertaken by an external consultant commissioned by the school to improve the service.

Source:
National Audit Office review

2.16 To allow effective monitoring, schools need to ensure that their annual catering budget reflects the terms agreed in their contracts and is geared to achieving their requirements including their financial objective, such as a net profit or break-even position. At seven of the schools in our sample the caterer was required to produce an annual budget. The caterers at three of the schools visited were not producing annual budgets, making it difficult for the schools to monitor the contractors' performance and make appropriate and timely changes when needed.

Performance of the schools' catering operations

Financial performance

2.17 We sought to establish the overall financial position of schools' catering activities. All of the ten schools were able to provide details of catering receipts, including credit sales for free meals taken, and direct expenditure such as on catering staff pay and suppliers' invoices, for the years 1994-95 to 1996-97. However, they were unable to produce trading accounts showing full costs, including overheads, and income from free and paid meals subsidies received as part of their annual maintenance grant. Schools are not required to prepare such accounts, but without them, governing bodies may not have an accurate picture of whether the catering facility is making a profit or is being subsidised at the expense of other school activities.

Cost-effectiveness

2.18 The percentage of the school population in the ten schools using the catering service ranged from 23 to 73 per cent. On average the take-up was 44 per cent, roughly equivalent to the sector as a whole. Spend per head of pupil population ranged from 37 to 97 pence daily and averaged 67 pence.

2.19 Six schools experienced problems with congestion caused by long queues. Others had overcome this by allocating specific times for lunch to year groups, introducing cashless catering swipe cards and investing in either a larger dining area or a new layout.

2.20 We found significant price variations across the 10 schools. For example, the average price of a two-course meal, main course with potatoes and another vegetable, a hot or cold sweet, and a drink ranged from £1.40 to £2.20. The price of pizza ranged from 40 to 70 pence, a 75 per cent variation, and the price of quiche ranged from 40 to 90 pence, a 125 per cent variation (Figure 10). This may in part be due to different portion sizes.

Tariffs for the most popular items sold by contracted caterers at schools visited

Figure 10

There was a wide variation in price of the most popular items sold. This may in part be due to different portion sizes.

	Tariff range Pence	Variation %	Average price Pence
Pizza	40 - 70	75	52
Cheese & onion pasty	45 - 73	62	54
Quiche	40 - 90	125	60
Chicken & mushroom pie	50 - 75	50	60
Sausage roll	35 - 45	29	42
Chipped potatoes	40 - 65	63	50
Baked beans	18 - 30	67	23
Cheese sandwich	60 - 80	33	67
Cola	40 - 50	25	44
Orange juice	30 - 45	50	38
Crisps	22 - 30	36	25

Source: National Audit Office

2.21 Seven schools in the sample had a clear charging policy for school meals. In two cases, it was to charge prices in line with other schools in the local education authority. In another two cases, prices were set to achieve a gross profit on sales at a level agreed with the caterer. In the fifth case, prices were set to achieve a break-even position on catering in line with the school's financial objective for the catering service. In the final case, it was to set the price of a paid meal at the level allowed for a free meal.

2.22 Individual schools have differing circumstances which dictate pricing policies. The main influences on pricing were:

- the availability of a paid meals subsidy which was used to keep prices down and/or offset a catering deficit;
- the cost of food, taking into account the level of purchase discounts retained by contractors; and
- staff costs and productivity.

2.23 Schools with higher than average prices tended to have, on average, a lower level of paid meals subsidy and higher food costs as a percentage of sales, linked to a higher level of contractors' earnings on retained discounts. On the other

hand, schools with lower than average prices tended to have, on average, a higher level of paid meals subsidy and lower food costs as a percentage of sales linked to a lower level of contractors' earnings on retained discounts.

2.24 Staff costs ranged from 26 to 52 per cent of sales. At two schools, staff costs were relatively high because the layout of the buildings meant that the central kitchen served more than one dining room. As a result more staff were required for serving. Although this arrangement was not cost-effective looking at the catering service in isolation from the operation of the school as a whole, it fulfilled the schools' requirements in separating the pupils' year groups and speeding up the service. An investment appraisal would identify whether the cost of an approved layout would be justified by the resulting revenue savings.

2.25 In relation to sales, at eight schools, staff productivity levels ranged from £80 to £151 per day. This measure of productivity based upon the level of sales allows a broad comparison across schools in the sample. However, it is recognised that pricing policies adopted by different schools will affect the level of sales and hence the calculation of productivity. The two of these schools with the lowest staff productivity levels had high staff costs brought about by duplication of services, dictated by the layout of the catering facility. For the remaining two schools, detailed information on staffing was not available.

Customer satisfaction levels

2.26 We did not undertake an independent examination of customer satisfaction levels at the ten schools visited. However, our work showed that only three schools had formal periodic evaluations of the views of pupils and staff on the services provided. Most schools were relying on a combination of the success in terms of sales and the level of take-up, to provide the necessary feedback.

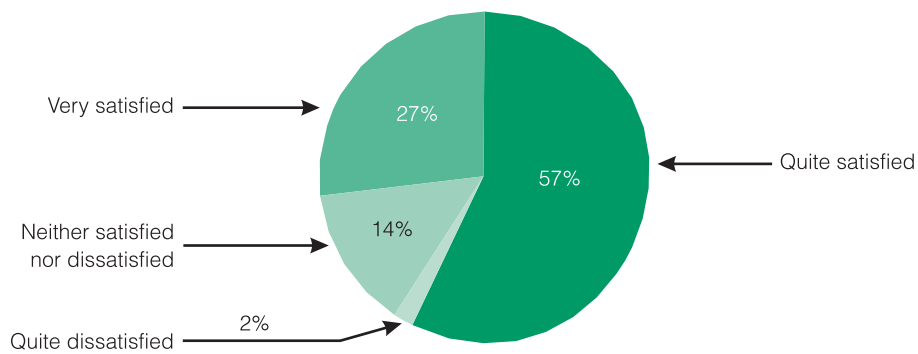
2.27 In their purchasing survey of the sector in April 1998, the Funding Agency surveyed schools' satisfaction with their catering services. The survey found most schools with an external catering contractor were very or quite satisfied with the size of portions served, the nutritional content of meals, and the overall level of service provided. Very few expressed dissatisfaction, although 7 per cent were quite dissatisfied with the overall level of service (Figure 11).

Figure 11

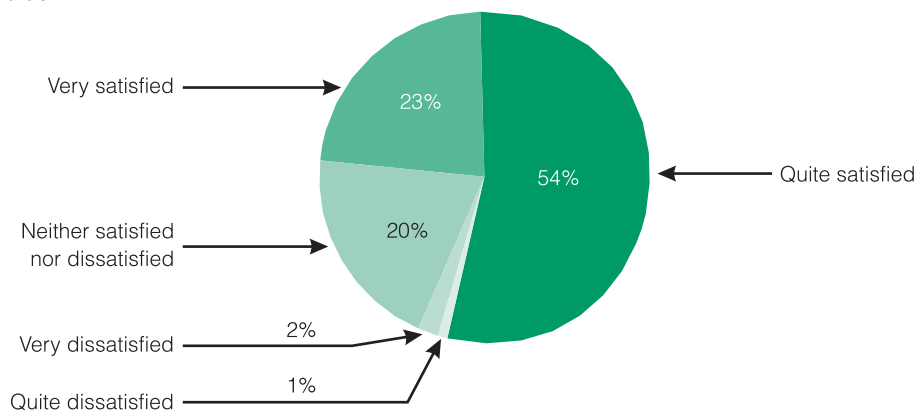
Schools' satisfaction levels with the service provided by external contractors

Over three quarters of schools expressed satisfaction with the service provided by the external catering contractors.

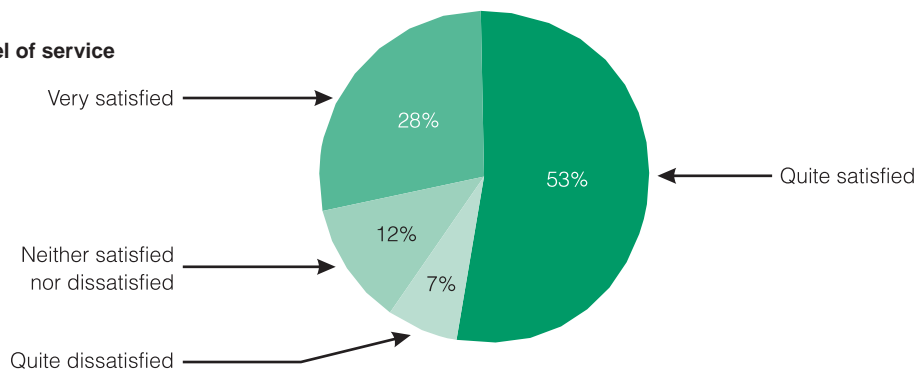
a) Portions



b) Nutritional value



c) Overall level of service



Source: The Funding Agency's purchasing survey

Hygiene, health and safety

2.28 Schools' catering contractors operate a policy of due diligence and safety to ensure, so far as is reasonably practicable, the health, safety and welfare of employees and customers. The application of this policy is a prime responsibility of catering management. Catering contractors need to take every step necessary to discharge their duties as laid down in the:

- Food Hygiene (General) Regulations 1970 as updated by the 1990, 1991 and 1995 amendment regulations;
- Health and Safety at Work Act 1974;
- Food Act 1984;
- Food Labelling Regulations 1984;
- Control of Substances Hazardous to Health Act 1989; and
- Food Safety Act 1990.

2.29 During the visits, we undertook random hygiene, health and safety checks to ensure that compliance procedures were in place and that the catering manager was sufficiently trained to ensure that contractors' policies were being carried out. Generally, the random checks proved satisfactory in the areas reviewed, namely, storage and rotation of stock, statutory health and safety notices, current liability insurance cover, protective clothing for all staff and temperature recordings on refrigerators and deep freezers.

Part 3: In-house catering

3.1 In this part of our report we examine how well the eleven large secondary schools visited were managing their catering service. We look in particular at the decision to bring the catering service in-house, monitoring financial performance, cost-effectiveness, customer satisfaction, and hygiene, health and safety.

The decision to bring catering in-house

3.2 All eleven schools had previously been supplied with catering services managed by their local education authority. Nine were provided by the local authority direct service organisations, and two by commercial contractors.

3.3 The most common reasons given by the schools visited for their decision to run in-house catering services were (Figure 12):

- to improve value for money and to reduce costs;
- better control of catering resources to ensure flexibility and services that were best suited to the needs of the school;
- dissatisfaction with the service provided by existing caterers;
- to enhance the quality of the catering service; and
- to retain existing high quality catering staff by employing them directly.

3.4 Schools' objectives for their self-operated catering services were closely linked to their reasons for changing to in-house provision. The main objectives stated were:

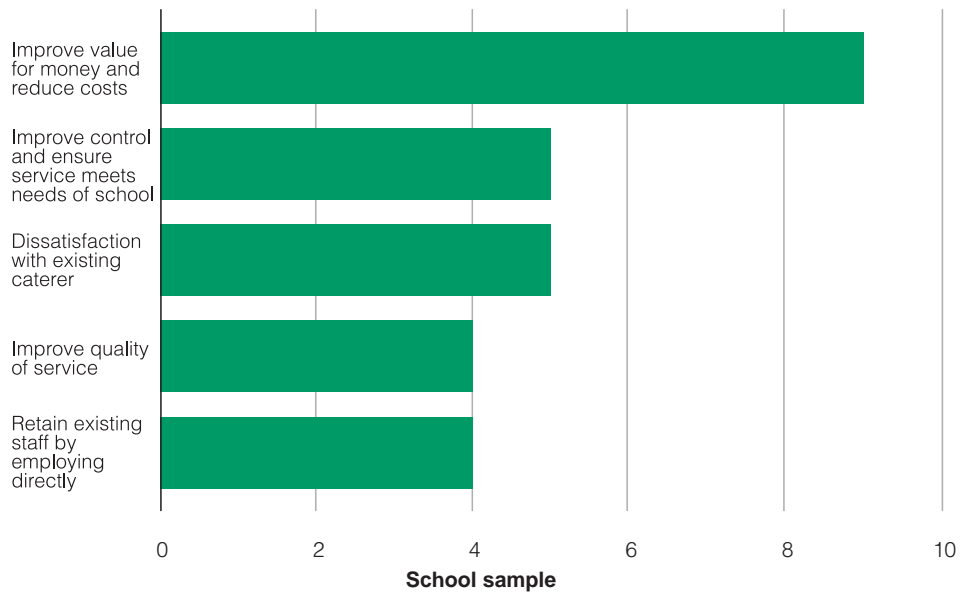
- improved value for money for pupils and parents by reducing costs;
- providing a more cost-effective service;
- to enhance quality of service;

- provision of catering services better suited to their needs;
- improved control over school resources; and
- provision of greater job security for existing high quality catering staff.

Reasons given by the eleven schools visited for bringing their catering service in-house

Figure 12

The main reason cited by the eleven sampled schools for bringing their catering service in-house was improved value for money/reduced costs.



Source: The National Audit Office

3.5 Seven of the schools had some form of external advice to assist them in reaching the decision to bring catering in-house. Sources of advice included other grant-maintained schools, independent catering consultants, local education authorities and catering companies. The other four schools relied on the extensive range of professional experience available from members of their governing bodies. The Rainbow Pack includes guidance on assessing in-house delivery compared with external contractors.

3.6 We found that the decisions to bring catering in-house were broadly sound and that the objectives set by governing bodies were achieved or were in the process of being achieved.

Monitoring financial performance

3.7 Most of the eleven schools had not produced a long-term plan or strategy for their catering service setting out current and future requirements. Catering featured in three schools' strategic or development plans. One school had produced a separate three year plan for catering, including financial and performance objectives. Another school, following our visit, had set out the catering service's strengths, weaknesses, opportunities and threats along with performance and financial objectives and a five year plan for equipment refurbishment. Six of the schools had set themselves specific financial and performance objectives for catering against which they could monitor the service while a further three schools had set formal financial objectives only.

3.8 Nine schools were setting catering budgets which incorporated agreed targets for sales, purchases, gross profit and labour but two schools needed to set such budgets. Weekly or monthly trading accounts were being produced by nine of the schools to enable the schools' management and governing bodies to monitor out-turn against budget on a regular basis. We recommended that monthly trading accounts be produced by the other two schools.

3.9 As for those schools with contracted out catering, we sought to establish the overall financial position for each school and each school was able to provide details of catering receipts, including credit sales for free meals issued, and direct expenditure. Five of the schools were also able to provide details of overhead costs allocated to their catering trading account as recommended by the Rainbow Pack. However, eight of the schools were not producing trading accounts to show the full extent of income from free and paid meals subsidies. Like the schools with a contracted out service, without full trading accounts, governing bodies may not have an accurate picture of whether the catering facility is making a profit or is being subsidised at the expense of other school activities.

Cost-effectiveness

3.10 At the eleven schools visited, the percentage of the school population buying lunches ranged from 13 to 68 per cent. On average, the take-up in the eleven schools was 53 per cent, 9 per cent higher than the sector as a whole and the ten schools in the contracted out sample (paragraph 2.18). The spend per head of school population ranged from 36 to 86 pence daily and averaged 66 pence which compared with an average 67 pence at the contracted out schools (paragraph 2.18). Some schools had managed to achieve increased take-up in meals of up to 13 per cent by:

- offering pupils excellent menu variety with daily choices of healthy options/vegetarian dishes and up to two main dishes; and
- introducing a marketing strategy to promote healthy eating.

3.11 There was scope to improve flow of diners and increase the take-up of meals at seven schools. For example, these schools should consider the introduction of a staggered service at lunchtime to reduce queuing and relieve congestion (paragraph 2.19).

3.12 On the whole, activities to encourage more pupils to use school catering facilities were limited and could be developed by:

- approaching suppliers, many of whom run special promotions throughout the year and are happy to provide posters, table talkers and point of sale materials free of charge – a very cost effective way of marketing; and
- producing their own ideas and point of sale material, for which suppliers could also provide events calendars for the year.

3.13 We found significant price variations across the schools. At the eleven schools, the average price of a two course meal, main course with potatoes and another vegetable, a hot or cold sweet, and a drink ranged from £1.10 to £2.00 (£1.40 to £2.20 at the ten contracted out schools - paragraph 2.20), although the school with the highest priced two course meal also had a daily fixed price option of £1.10.

3.14 All eleven schools had a clear charging policy for school meals. Four schools were setting prices in line with other schools in the local education authority area. Five schools were charging prices to achieve a break-even position on catering and the remaining two schools were setting prices to produce an overall return.

3.15 Individual schools have differing circumstances which dictate policies. The main influences on prices were the same as for the contracted schools (paragraph 2.22) but, of course, contractors' earnings were not a factor. Schools with higher than average prices tended to have, on average, a lower level of paid meals subsidy and higher food costs as a percentage of sales.

3.16 At most schools, the catering manager had negotiated reasonably competitive purchase prices but at eight schools we did identify some frozen food and grocery items where improved terms could be obtained. At three schools stocktaking needed to be undertaken more frequently, for example, monthly.

3.17 Generally, catering management exercised good portion control with no indication of any wastage. However, three schools had scope to improve wastage management through better reporting and monitoring.

3.18 In relation to sales, staff productivity for each full-time staff equivalent ranged from £66 to £166 a day. This provides a broad comparison between the schools in the sample. Schools with high staff costs had lower levels of productivity. This may be due to the school's pricing policy, rather than the direct productivity of their staff. However, implementation of the recommendations to introduce staggered lunchtime services (paragraph 3.11) should result in higher sales and improved staff productivity.

3.19 We also found examples where schools had achieved significant improvements in their performance through strong management. Case 4 provides one example.

Achievement of a net profit in the first year of bringing the catering service in-house

Case 4

A school's catering service made a net profit of £24,000, 17 per cent of sales in 1996-97, the first year of self-operated service.

Previously, with the local education authority, the service broke-even in 1994-95 and had made a loss of over £5,000, 4 per cent of sales, in 1995-96.

The key factor in this improved financial performance was the elimination of the contractor's management fee of some £14,000. But there were also a number of good management practices that contributed. For example:

- high quality meals which had helped to increase the number of lunches sold in 1996-97 by 9 per cent;
- extremely competitive purchase prices negotiated with the school's food and beverage suppliers;
- the costing of daily menus and the exercise of good portion control;
- strong financial controls with budget targets set for sales, purchases, labour and sundries and overhead costs charged to the trading account; and
- an efficient staffing structure with low staff costs at 26 per cent of sales.

Customer satisfaction

3.20 We did not undertake a full independent examination of customer satisfaction levels at the eleven schools visited. Only one school had formal periodic evaluations of the views of pupils and staff on the services provided, but two others took account of suggestions from the student committee. The remainder used take-up of the service as an indicator of pupil satisfaction.

3.21 We did carry out a limited survey of staff and pupils' opinions on the quality and price of food, menu variety and presentation, speed of service and the convenience and choice offered by vending machines where these were provided. Overall, the sampled schools' catering services were rated highly by their customers. One of the few areas of complaint came from pupils at four schools about the length of time it took to queue for meals and vending machines particularly at morning break.

3.22 In their purchasing survey of the sector in April 1998, the Funding Agency surveyed schools' satisfaction with their catering services. The survey found that virtually all schools with an in-house catering service expressed satisfaction with the service provided. Satisfaction was higher than the results from schools with contracted out catering (Figures 11 and 13).

Hygiene, health and safety

3.23 Hygiene and health standards were generally to a good standard at all of the schools. We examined how the schools had responded to the most recent Environmental Health Officer inspection reports and found that they had either implemented (nine schools) or were in the process of implementing (two schools) the recommendations. We did, however, identify scope to improve:

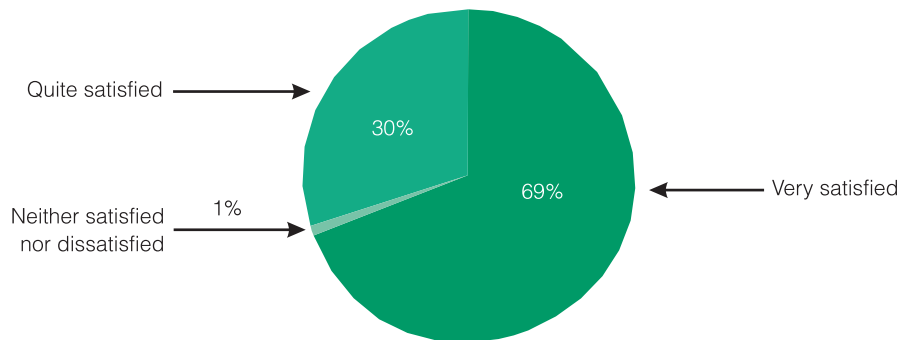
- safety systems as required by statute, for example, on the signing of fire training record cards (three schools) and the maintenance of food refrigeration temperature logs (seven schools);
- control systems for substances hazardous to health. Five schools had no data sheets and the need for extra training was evident at two schools;
- manual handling systems for the safety of staff who store and handle heavy loads. Five schools practised proper procedures but did not have a written system, three had no system and one had a system which had not been put into practice; and

Figure 13

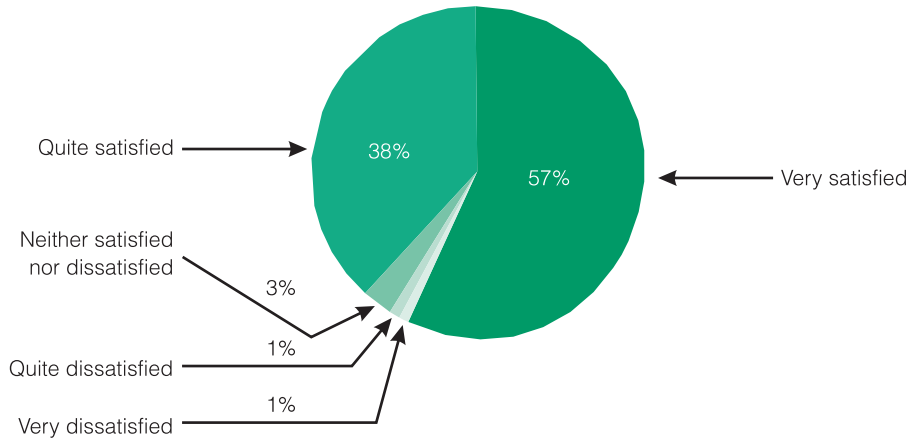
Schools' satisfaction levels with the service provided in-house

Virtually all schools with an in-house catering service expressed satisfaction with the service provided.

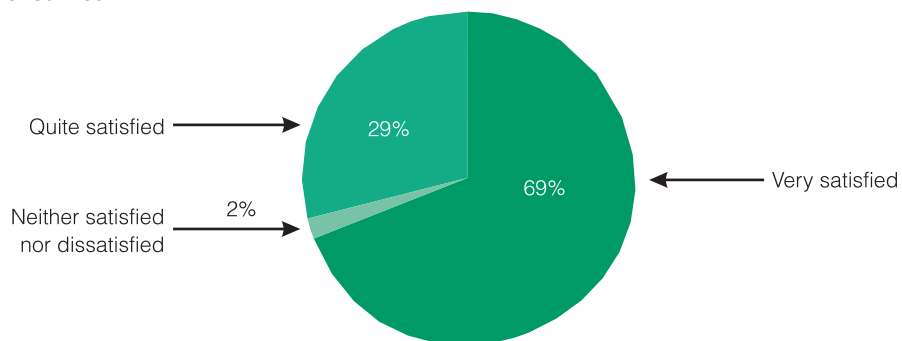
a) Portions



b) Nutritional value



c) Overall level of service



Source: The Funding Agency's purchasing survey

- hazard analysis and critical control point identification to ensure safe catering from the selection of ingredients through to the serving of food to the customer (nine schools). The key features of a good practice system developed by one school are at Figure 14.

Safe catering – key features of a good practice system developed by one visited school

Figure 14

**Hazard Analysis and Critical Control Points (HACCP)
As required by the Food Safety (General Food Hygiene) Regulations 1995**

The catering service at a school should:

- follow all Health and Safety procedures and regulations;
- ensure correct storage preparation and cooking of food, within departments;
- monitor the correct temperature of food and equipment and document accordingly;
- use only reputable suppliers at all times;
- take samples of all cooked foods and keep for 72 hours; and
- ensure that all catering staff at the school hold Basic Hygiene Certificates.

Source: National Audit Office

Appendix 1

Outputs by the National Audit Office on grant-maintained schools

Five published reports

- Grant-Maintained Schools in England: Financial Controls (HC577 Session 1992-93, published April 1993).
- Value for Money at Grant-Maintained Schools: A Review of Performance (HC 640 Session 1993-94, published August 1994).
- Planning for Change: National Audit Office Examinations of Value for Money at Grant-Maintained Schools 1994-95 (HC768 Session 1994-95, published November 1995).
- Good Stewardship: National Audit Office Examinations of Value for Money at Grant-Maintained Schools 1995-96 (HC697 Session 1995-96, published October 1996).
- Examinations at Grant-Maintained Schools in England 1996-97 (HC301 Session 1997-98, published November 1997). (This report covered financial health and information technology.)

Six good practice guides

- Financial control in grant-maintained schools: A National Audit Office Paper (April 1993).
- Strategic planning and budgeting in grant-maintained schools (August 1994).
- Asset recording at grant-maintained schools (August 1994).
- Example of a good terms of reference for a grant-maintained school's finance committee (November 1995).

- An example of a pro-forma which can be used to declare interests for inclusion in a register of pecuniary interests (November 1995).

- Measurement and management of educational achievement at grant-maintained schools (November 1996).

386 school management reports

Appendix 2

A history of school meals

19th Century	School meals are provided by charities in some schools.
1906	Local authorities are given the power to raise money on the rates to provide school meals.
1944	Local authorities are required to provide school meals for all children who want them. The meal has to be suitable in all aspects as the main meal of the day at a nationally fixed price and free to those that cannot afford to pay.
1965	National nutritional guidelines lay down minimum standards for the quality of school meals throughout the country. They must provide one-third of a child's daily energy and protein needs.
1979	Two-thirds of school children have school meals costing 25p each.
1980	Local authorities are no longer required to provide school meals – except for children entitled to free school meals. Nutritional standards and national price control for school meals are abolished. Just under half of all school children have school meals.
1987	A Private Member's Bill fails to reintroduce nutritional guidelines for school meals.
1988	Changes in social security arrangements reduce the number of children entitled to free school meals.
1991	Four out of ten children have school meals, almost a third of these are free school meals.
1992	A School Meals Campaign, supported by more than 50 different organisations, is launched. It calls for the re-introduction of nutritional standards for school meals.
1994	The School Meals Campaign publishes guidance on "Healthy School Food" for school governors and boards.

- 1997** The Department for Education and Employment publishes dietary guidance on “Eating Well at School”, for school food providers such as governors, headteachers, local education authorities, caterers and catering contract managers.
- Four out of ten children have school meals, over a third of these are free school meals.
- July 1997** The Government’s proposal for setting minimum nutritional standards for inclusion in school meals contracts is set out in the White Paper “Excellence in schools”.
- December 1997** The School Standards and Framework Bill begins its passage in the House of Commons, setting out the Government’s intention to prescribe nutritional standards for school lunches and the requirement for local education authorities to provide paid school lunches, if requested to do so by (or on behalf of) a registered pupil.
- July 1998** The School Standards and Framework Bill is enacted.

Appendix 3

Schools visited by the study consultants

<i>Name of school</i>	<i>Type</i>	<i>Number of pupils</i>
Contracted catering		
1. Barr Beacon (GM) Community School, West Midlands	Mixed Secondary Comprehensive Age group 11-18	1,379
2. Bay House (GM) School, Hampshire	Mixed Secondary Comprehensive Age group 11-16	1,600
3. Bishop Thomas Grant School, London	Mixed Secondary Comprehensive Age group 11-16	901
4. Brentside High School, London	Mixed Secondary Comprehensive Age group 11-19	1,120
5. Burntwood School, London	Female Secondary Comprehensive Age group 11-18	1,550
6. Clacton County High School, Essex	Mixed Secondary Comprehensive Age group 11-18	1,375
7. Colbayns High School, Essex	Mixed Secondary Comprehensive Age group 11-19	1,642
8. Hertfordshire & Essex High School, Hertfordshire	Female Secondary Comprehensive Age group 11-18	1,006
9. Northolt High School, Middlesex	Mixed Secondary Comprehensive Age group 11-18	1,251
10. St Ignatius College, Middlesex	Mixed Secondary Comprehensive Age group 11-18	1,096
In-house catering		
11. Belper School, Derbyshire	Mixed Secondary Comprehensive Age group 11-18	1,031
12. Great Barr (GM) School, West Midlands	Mixed Secondary Comprehensive Age group 11-19	2,324
13. Hayes School, Kent	Mixed Secondary Comprehensive Age group 11-18	1,170

continued...

Catering at Grant-Maintained Schools in England

<i>Name of school</i>	<i>Type</i>	<i>Number of pupils</i>
In-house catering		
14. John Port School, Derbyshire	Mixed Secondary Comprehensive Age group 11-18	1,749
15. King Edmund School, Essex	Mixed Secondary Comprehensive Age group 11-16	1,191
16. Longsands College, Cambridge	Mixed Secondary Comprehensive Age group 11-18	1,466
17. Soham Village College, Cambridge	Mixed Secondary Comprehensive Age group 11-16	1,189
18. Southfields Community College, London	Mixed Secondary Comprehensive Age group 11-18	1,250
19. Bishop's Stortford High School, Hertfordshire	Mixed Secondary Comprehensive Age group 11-18	1,110
20. Wardle High School, Lancashire	Mixed Secondary Comprehensive Age group 11-16	1,284
21. West Park Community School, Derbyshire	Mixed Secondary Comprehensive Age group 11-16	1,254

Appendix 4

Summary of recommendations made and schools' responses

<i>Recommendations</i>	<i>Schools' responses</i>
Contracted out catering	
Catering agreements and contractors' earnings	
Ensure that there is a formal written contract with the contractor (two schools).	Accepted for implementation.
Put the catering operation out to competitive tender (two schools).	Accepted, being pursued in discussions with contractors.
Include in the contract a management fee based upon 8 per cent of sales. The agreed management fee would include on-job training and other administrative costs such as payroll (eight schools).	Accepted, being pursued in discussions with contractors.
Incorporate into the contract a range of performance guarantees against the annual budget whereby the contractor puts at risk the value of the management fee against performance outcome (five schools).	Accepted, being pursued in discussions with contractors.
Negotiate with contractors to adopt a policy of net prices under which all discounts obtained by the contractors are returned to the schools (six schools).	Accepted, being pursued in discussions with contractors.
Ensure that the cashless system being introduced by the contractor is purchased at a competitive price (one school).	The school is discussing this with the contractor.
Budgeting	
Agree with the contractor, prior to the start of each year, an annual budget, phased over each month or accounting period of the year, and include all income and expenditure and gross profit targets for each category of purchase (six schools).	Accepted, being pursued in discussions with contractors.
Inform the caterers before the start of each academic year of the days when the school will be closed for holidays and staff training so that the caterer can plan and budget accordingly (one school).	The school pointed out that a copy of its annual calendar was given to the contractor at the start of each year to enable the annual budget to be profiled. The school's contractor accepted that, in this case, the profiled budget had been calculated incorrectly.
Sales	
Introduce an effective marketing programme to encourage sales growth (one school).	The school considered that, in conjunction with the contractor, it was actively planning ways of increasing usage.

continued...

Catering at Grant-Maintained Schools in England

<i>Recommendations</i>	<i>Schools' responses</i>
Encourage the caterer to undertake a customer survey to establish staff and pupils' actual requirements and improve sales (one school).	Accepted for implementation.
Ensure that food items are priced to give a 50 per cent return (one school).	Not accepted. The school's policy is to charge prices in line with other schools in the local education authority area.
Purchases and expenses	
Ensure that the caterer lists all food and catering purchases separately, with the discounts being returned to the schools listed alongside (three schools).	Accepted, being pursued in discussions with contractors.
Where food is being insured by the caterer, obtain a copy of the policy to determine the terms and conditions and the annual cost (two schools).	Accepted by both schools. In one case the school is arranging for the contractor to refund the cost of premiums charged.
Obtain explanations from contractors for all standing monthly (or bi-monthly) charges for such items as stationery, postage, uniform hire and bank charges, and for all discounts received (four schools).	Accepted, being pursued in discussions with contractors. In one case the school has already received satisfactory explanations from its contractor.
Undertake a stock reconciliation at the end of each accounting period (one school).	Accepted.
Also in three cases, recommendations were made that schools sought explanations from the contractors for specific unsupported transactions.	The schools are currently pursuing these items with their contractors.
Staffing	
Require contractors to provide detailed labour schedules and budget summaries, phased over the year, including clear definitions of any indirect costs, and reflecting all national insurance and pension contributions (five schools).	Accepted, being pursued in discussions with contractors.
Ensure that the school is required to authorise external training courses for contractors' staff, and that the relevant invoices are processed through their account (four schools).	Accepted, being pursued in discussions with contractors.
Formalise the system for authorising and recording overtime to be worked (two schools), and for authorising the use of agency staff when required (one school).	Accepted, being pursued in discussions with contractors. In the case of the use of agency staff, the school said that such issues were regularly discussed with the contractor, but acknowledged that the system could be more formalised.
Obtain detailed information from the contractors on the terms under which staff are employed, including details of those weeks of the year during which staff are paid in full and those for which they are paid a retainer (two schools).	Accepted by both schools. In one case the school has already obtained the information required from the contractor.

continued...

<i>Recommendations</i>	<i>Schools' responses</i>
Health, hygiene and safety	
Review the safety policies currently in place and ensure that the contractor's procedures comply with these policies (one school).	Accepted, being followed-up with the contractor.
Establish designated COSHH (control of substances hazardous to health) areas where necessary (one school).	Accepted for implementation.
Undertake an annual check to ensure that the liability insurance certificate is valid (one school).	Accepted for implementation.
In-house catering	
Budgeting	
Improve identification and management of costs by budgeting separately for all food and non-food costs (ten schools).	Accepted for implementation by six schools. Two schools believed they had already actioned this recommendation while another two felt it was not cost effective.
Compile monthly trading accounts and use in conjunction with the budget to monitor and control variances between budgeted and actual catering costs (three schools).	Accepted for implementation by two schools. One school thought its existing management information was satisfactory.
Prepare an annual budget incorporating realistic financial targets and consider on a month by month basis (one school):	Accepted for implementation.
<ul style="list-style-type: none"> ■ income levels and sources; ■ consumption of food, drink and disposable materials; ■ gross profit levels; ■ overheads; and ■ operating profit or loss. 	
Preparation of the catering budget by the school's bursar with the assistance of the catering manager (one school).	Accepted for implementation.
Sales	
Increase the uptake of meals by exploring the following marketing initiatives (eleven schools):	Accepted for implementation by ten schools. One school believed it had already actioned the recommendations.
<ul style="list-style-type: none"> ■ approach catering suppliers for posters and other promotional and point of sale material. These materials are usually supplied free of charge and are the most cost effective way of marketing school meals; or 	

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<i>Recommendations</i>	<i>Schools' responses</i>
<ul style="list-style-type: none"> ■ produce your own promotional and point of sale material, with the assistance of national and local catering suppliers who can provide events calendar for schools using special events and theme days to stimulate and maintain interest in school food. 	
<p>Improve the customer flow at catering outlets and increase sales by (nine schools):</p> <ul style="list-style-type: none"> ■ introducing a staggered lunchtime service to relieve congestion; and/or ■ considering the introduction of a cashless system of paying for school meals to speed customer flow and increase sales. 	<p>Accepted for implementation by eight schools. One school had already explored the suggested initiatives.</p>
<p>Ensure the benchmarking of standards across the service by carrying out an annual opinion/customer survey which could be undertaken by pupils as part of a project (ten schools).</p>	<p>Accepted for consideration/implementation by nine schools. One school disagreed with the idea.</p>
Purchasing/Stocktaking	
<p>Obtain better terms on supplies of frozen foods and some grocery items (eight schools).</p>	<p>Accepted for implementation by five schools. The remaining three schools felt they were already achieving optimum value for money.</p>
<p>Undertake stocktaking on a more regular basis (ie at least monthly) to enable accurate identification of food consumption and the cash value of stock (three schools).</p>	<p>Accepted for implementation.</p>
Staffing	
<p>Reduce labour costs by renegotiating terms and conditions of employment (seven schools).</p>	<p>Accepted for implementation by three schools. The four remaining schools were unable to introduce new terms and conditions because either they considered that the staffing levels were necessary to maintain the high level of service or governors had assured catering staff that their conditions of service would remain at least as favourable as those offered by the local authority.</p>
<p>Improve efficiency and reflect good practice by introducing work schedules for catering staff, which allocate work, detail tasks and set timetables for task completion (seven schools).</p>	<p>Accepted for implementation by five schools. One school felt the recommendation had already been actioned while the remaining school thought work schedules were unnecessary.</p>
<p>Introduce systems of annual appraisal for catering staff with a view towards linkage with the annual pay review and improving staff motivation and effectiveness (nine schools).</p>	<p>Accepted for implementation by eight schools. One school felt their procedures already covered this point satisfactorily.</p>
<p>Give wider circulation to disciplinary and grievance procedures among catering staff (six schools).</p>	<p>Accepted for implementation by five schools. One school felt existing procedures covered this point satisfactorily.</p>

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<i>Recommendations</i>	<i>Schools' responses</i>
Produce a school handbook for issue to all staff to ensure that terms and conditions of employment are clearly understood and appropriate management systems are in place (five schools).	Accepted for implementation.
Investigate training courses for catering manager, to ensure that he/she is kept abreast of changes in catering legislation (nine schools).	Accepted for implementation by seven schools. Two schools thought existing procedures were satisfactory.
Produce a staff training plan to ensure that staff receive appropriate instruction on all regulatory issues affecting catering at schools (e.g. hygiene, health and safety and as currently proposed, nutrition) (seven schools).	Accepted for implementation by five schools. Two schools thought existing procedures were satisfactory.
Maintain comprehensive records of the training provided for catering staff, evidencing knowledge, skills and experience necessary to perform jobs to a satisfactory standard (five schools).	Accepted for implementation.
Issue catering staff with job descriptions setting out individual areas of responsibility (two schools).	Accepted for implementation.
Formalise staff recruitment procedures by completing records of interviews held with prospective staff and keeping these records on file (two schools).	Accepted for implementation.
Overhead costs	
Identify all costs relating to the catering operation, including overhead costs such as electricity, gas, water, health and safety, security and repair costs, and identify these costs separately within the catering account (seven schools).	Accepted for implementation by three schools. Four schools felt their existing arrangements satisfactorily fulfilled management and audit requirements.
Equipment and design of premises/services	
Remodel serving areas to allow improved customer flow and more efficient use of staff (four schools).	One school accepted recommendation for incorporation into longer term plans. Three schools were unable to implement the recommendation because of the physical limitations of existing accommodation and the likely high capital costs of alterations.
Improve service efficiency with new items of kitchen equipment, such as a dishwasher (three schools).	Accepted for implementation.
Rationalise catering service to one kitchen and seek professional advice on design and flow of services (one school).	Accepted and actioned.
Improve ventilation of kitchen area (three schools).	Accepted for implementation

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Catering at Grant-Maintained Schools in England

<i>Recommendations</i>	<i>Schools' responses</i>
Hygiene, health and safety	
Provide evidence of fire safety training (six schools).	Accepted for implementation.
Formalise school hygiene policy (one school).	Accepted for implementation.
Ensure catering staff are fully trained in controlling substances hazardous to health, training is evidenced on record cards and data sheets, and risk assessment sheets for hazardous substances on-site are completed (six schools).	Accepted for implementation.
Have in place written manual handling systems advising staff on the storage and handling of heavy loads (nine schools).	Accepted for implementation.
Introduce and action hazard analysis and critical control point identification systems to ensure the hygiene and safety of food produced and served on site (nine schools).	Accepted for implementation.
Improve the storage of dry food stuffs and ensure that adequate stock rotation of dry stores is in place (seven schools).	Accepted and actioned.
Improve the safety of food storage by ensuring that all storage is limited to a height of six feet and the adequate separation of foods and chemical materials (five schools).	Accepted and actioned.
Ensure freezers are working at recommended optimum temperatures (seven schools).	Accepted and actioned.
Fit alarms to all refrigeration units to enable early detection of temperature changes (eight schools).	Accepted and actioned.
Test check the temperatures of all deliveries of chilled and frozen foods and keep a record of readings (two schools).	Accepted by one school. The other school did not consider it to be an effective and efficient use of time.
Liaise further with Environmental Health Officers to ensure they are kept informed of action taken in response to Environmental Health Officer report recommendations (two schools).	Accepted for implementation.
Collect and dispose of contents of skips containing waste food (seven schools).	Accepted and actioned by four schools. Three schools stated their food waste collections and disposals were already sufficiently regular.
Improve ventilation of kitchen area (three schools).	Accepted for implementation
Improve lighting of kitchen area (one school).	Accepted for implementation.
Check temperature of sterilising sinks to ensure they conform with governing legislation (three schools).	Accepted for action.
Fit a chain guard fly screen to kitchen access door used for deliveries (one school).	Accepted and actioned.