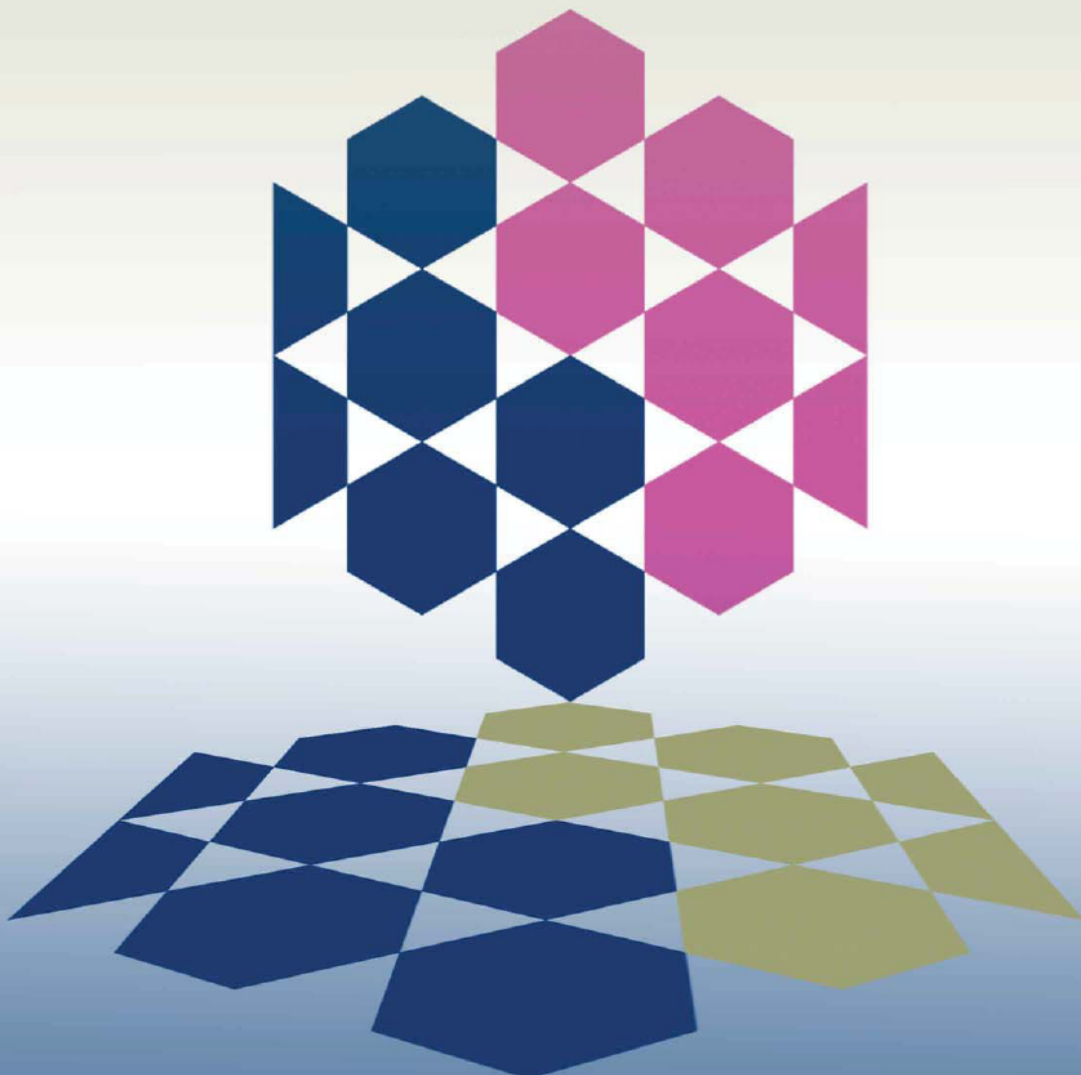


DE & DFP Joint Efficiency Review Stage Two Report

Review of School Catering Service

January 2012



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EXECUTIVE SUMMARY

- i. The Review of the Education Sector (the “Review”) was formally established by the Ministers for Education and Finance and Personnel in late 2010. This was in response to the need to achieve significant savings over the course of the next four years as a result of the more constrained public expenditure environment facing the Northern Ireland (NI) Executive. Mindful of the importance of protecting the delivery of core educational services, it was agreed that the Review would focus on the operational services provided by Education and Library Boards (ELBs) as maximising savings in these areas would leave more resources available for the classroom.
- ii. The Review was taken forward in two stages by officials in the Department of Education (DE) working with the Performance and Efficiency Delivery Unit (PEDU). Stage 1 involved the identification of broad areas within the Education sector where there appeared to be scope to make savings. Stage 2 then considered two of these areas in greater detail with the aim of identifying actions to deliver savings. This report sets out the main findings in respect of the potential to achieve costs savings in the provision of school meals.
- iii. Using information readily available within DE, the Stage 1 Report identified significant variations between ELBs in respect of the average cost of a school meal. At Stage 2, additional quantitative and qualitative information was sought from ELBs to refine and extend the Stage 1 analysis in order to gain a better understanding of the factors driving variations in cost across ELBs. This evidence base informed the development of recommendations to deliver a more cost effective service. To this end, Stage 2 involved:
 - detailed analysis of the cost performance of the ELBs;
 - comparison of operational procedures and identification of best practice in individual NI ELBs;
 - consideration of the approach adopted in other jurisdictions; and
 - identification of strategic policy changes that may facilitate the achievement of further savings.
- iv. The main focus of this report has been to build upon the analysis from Stage 1 as well as identifying best practice within the ELBs and elsewhere which could be applied across all ELBs to improve efficiency. In this context, the most important source of evidence for Stage 2 was from the structured interviews with those responsible for Catering services within each of the ELBs, with additional data also requested.
- v. At the outset it is important to note that the timescales involved for the Review meant that it was not possible to examine specific issues in significant detail with many of the recommendations simply highlighting areas where there would be merit in further examination by the Department or ELBs. Although a target has been set for ELBs to make savings of £1 million from the school meals budget from 2012-13 onwards, the Review was not asked to identify a specific amount of savings.

Cost of Providing the Catering Service

- vi. In 2010-11, the gross cost of providing school meals across the 5 ELBs was £58.7million representing an increase of 12.5% since 2006-07. While all ELBs would have faced similar inflationary pressures, cost increases have not been uniform with unit costs falling by 2.9% in South Eastern Education & Library Board (SEELB) but rising by 23.5% in the Western Education & Library Board (WELB) over the four year period. If all ELBs had matched the performance of SEELB in respect of the change in unit costs between 2006-07 and 2010-11, the gross cost of providing school meals would have been £7.8 million lower in 2010-11. However, it is important to recognise that the differences between ELBs may in part be due to variations in their Board area characteristics as well as unit cost levels at the start of the period.

Unit Costs

- vii. There are also significant variations in the level of unit costs across the five ELBs. In 2010-11 the average cost of providing a school meal was 45p or 19.1% more expensive in WELB than in the Belfast Education & Library Board (BELB) using Board level data. It is estimated that if all ELBs had matched the performance of BELB in terms of unit costs, the gross cost of providing the school meals service would have been £6.1 million lower in 2010-11. Again, this may in part reflect the local characteristics of each Board area with some of the savings from a convergence in unit costs only achievable in the medium to longer term.
- viii. Cost information was also provided at an individual school kitchen level with the aggregated data for schools presenting a slightly different picture to the Board level data. Using the school kitchen level data, SEELB replaces BELB as the ELB with the lowest unit cost whilst WELB continues to have the highest cost. Part of the reason for the higher average cost in WELB is the greater number of schools in the ELB with high unit costs. For example, almost a third of the schools in WELB had a unit cost in excess of £3.30 compared to only 9.1% in SEELB. However, the lower unit cost in SEELB does not appear to be at the expense of reduced quality or nutritional standards with unit food costs in the Board comparable to those in the other ELBs while the difference in take up for pupils entitled to Free School Meals (FSM) between SEELB and the other ELBs has not increased in recent years.
- ix. Mode of delivery appears to have a significant impact on the unit cost of school meals. This is in the context that ELBs use two broad approaches with meals either prepared on site in Production Kitchens or prepared at Central Kitchens and distributed to dining centres in receiving schools. Although Central Kitchens have on average lower costs than Production Kitchens, the differential observed for NI as whole of 3.1%, was less than expected.
- x. This appears to be the result of differences between ELBs with Central Kitchens having over 10% lower costs than Production Kitchens in NEELB and SELB. In contrast, the cost of the two modes is broadly similar in BELB and SEELB, whilst Central Kitchens are more expensive in WELB. This would suggest that

NEELB and SELB could potentially make additional savings from increasing the proportion of meals prepared in Central Kitchens, although this would first need to be subject to more detailed cost analysis. In contrast, BELB, SEELB, and in particular WELB need to deliver more of the potential savings from their Central Kitchens.

- xi. The lower unit cost of Central Kitchens is partly due to their greater size with 67.5% more meals prepared on average, than in Production Kitchens. This is in the context of clear evidence of economies of scale in the provision of school meals. For example, the average cost of a meal prepared in a kitchen serving fewer than 75 meals per day is 20.3% greater than in a Production kitchen serving more than 400 meals per day. This is a material issue because of the significant difference in kitchen size between ELBs with 45.6% of meals prepared in kitchens within NEELB serving less than 150 meals per day compared to only 5.3% in BELB.
- xii. Adjusting for kitchen size, NEELB, SEELB and SELB have broadly similar unit costs, around 4% lower than BELB whilst WELB still has the highest average cost. Furthermore, even between kitchens of similar size, there are substantial differences in unit costs between individual schools. This implies that savings can be made by consolidating the preparation of school meals into a smaller number of facilities. However, this is not sufficient on its own with further action required to fully exploit the economies of scale.

Spend on Goods and Services and Staff

- xiii. The two main components of the cost of delivering school meals are spending on Staff and Goods & Services with the former accounting for around 60% of total expenditure. Overall, SEELB is the only Board to have below average unit costs in respect of both Staff and Good & Services whilst WELB has above average costs for both.
- xiv. In respect of Goods & Services the cost per meal is 18.6% higher in WELB than in SEELB. There was also significant variation observed in spending on Goods & Services between individual school kitchens. It is estimated that there is potential to save around £2.6 million by reducing spend per meal to the NI level in school kitchens with above average expenditure on Goods & Services. One potential option to deliver savings in this area is by bringing the procurement activities of ELBs closer together under a single body, which would not only increase buying power but also enhance procurement skills.
- xv. Differences between ELBs were also observed in respect of frontline Staff costs with the cost per meal 11.6% higher in NEELB than in BELB. Although WELB achieved the highest level of meals served by staff member, this was more than offset by the average cost per staff member being 11.0% higher than the NI average. Therefore, there appear to be issues surrounding the productivity of staff in NEELB as well as the cost per staff member in WELB.
- xvi. In respect of staff productivity, a five ELB staffing schedule was developed in 1982 which provides guidelines on the maximum staffing levels for kitchens

based on the average daily output of meals. However, in around 42.4% of school kitchens in 2010-11, staff productivity was below the level implied by the staffing schedule. This is in the context that the level of staff productivity implied by the schedule is below actual performance in the rest of the UK. This means that savings could be made by putting in place best practice productivity standards for staff and ensuring that they are consistently applied across all kitchens. There are also further savings to be made by reducing non-frontline costs in all ELBs to match that in SEELB.

Differences in Approach to Providing the Catering Service

- xvii. Articles 58 and 59 of the Education and Libraries (NI) Order 1986, as amended, require the ELBs and Boards of Governors of Voluntary Grammar Schools (VGS) and Grant-Maintained Integrated Schools (GMIS) to provide milk, meals and other refreshments and the facilities to consume them, in accordance with arrangements approved by the Department. Under the arrangements certain categories of pupils are entitled to FSM.
- xviii. DE is responsible for formulating and developing policy as well as the necessary financial arrangements. The day-to-day operation of the school meals service is a matter for the ELBs in the controlled and maintained sectors and individual voluntary grammar and grant-maintained integrated schools.
- xix. DE has a statutory obligation to provide funding to ELBs to cover the cost of providing the service to those pupils entitled to FSM. In line with this duty the Department funds FSM through a block grant and earmarked funds. In 2010-11 this amounted to £31.3 million in core funding and £3.4 million in earmarked monies for nutritional standards. This means that around half of the cost of providing school meals is funded by charging pupils, not entitled to FSM, the full cost of meals purchased
- xx. The overall level of core funding is determined by DE and distributed to ELBs through the Assessment of Relative Need Exercise (ARNE). While the ARNE implies an indicative level of funding for the school meals service, ELBs have discretion on how they spend their overall budget allocation. For example, in 2010-11 BELB spent 16% less on the school meals service than the level of funding implied by the ARNE formula while NEELB spent 32% more. Whilst it is important to allow for local flexibility on how ELBs utilise the available funding, there is an argument for placing constraints on the extent to which Boards can deviate from ARNE in order to encourage greater efficiency.

Differences in Operational Policy between ELBs

- xxi. Within the confines of the arrangements set out by DE, there is scope for variation in operational policy across ELBs, reflecting in part the flexibility required to ensure the most suitable approach is adopted to meet local needs. Key areas where significant variations in approach between ELBs were observed as part of this Review include:

- level of service;

- level of funding;
 - type of provision (traditional meal or cash cafeteria);
 - discretionary services (Break service, Breakfast Clubs etc);
 - procurement;
 - staffing; and
 - actions to increase uptake and income.
- xxii. The most striking variation in approach between the ELBs relates to the mix of service delivery between on site kitchens and dining centres. There appears to be little commonality in approach in this area with, for example, NEELB determining the viability of kitchens on a case by case basis with costs beyond the normal range acting as the prompt. In contrast, SELB and WELB investigate the viability of kitchens serving less than 75 meals per day when key staff leave or retire. A more systematic approach is adopted in SEELB which reviews take up figures on an annual basis and investigates the viability of kitchens serving less than 70 meals per day. These differences in approach are reflected in the scale of production in kitchens within each ELB and ultimately, average costs.
- xxiii. While some of the differences in approach may be justified on the basis of local circumstances, there are a number of areas where savings can be made by ensuring that best practice is adopted across all ELBs. Ideas put forward by ELBs to deliver savings included regionalisation of the service, an investigation of the savings potential from a move to cook/chill or cook/freeze, an increased emphasis on benchmarking, strict adherence to staffing schedules and the introduction of convenience desserts.
- xxiv. Some of the ELBs also indicated that adhering to nutritional standards was a significant constraint to the delivery of savings. In particular, while there was general support for the concept, concern was expressed that there could be greater flexibility in the application of the standards. In respect of the £3.4 million funding made available for nutritional standards, whilst there is a continuing need for support to ensure minimum levels of expenditure on food per meal it was less evident that this also applied to the current level of spend on the other parts of the programme.

Additional Options to Deliver Savings

- xxv. Various aspects of the provision of school meals have been reviewed in recent years, including a fundamental review of the service in 2003. One of the simplest ways to deliver savings now is to ensure that the recommendations from these reviews are implemented to the fullest extent possible. In addition, whilst the vast majority of school meals in NI are provided by the ELBs it is important to consider the approach in other education sectors including Voluntary Grammar and Grant Maintained Integrated sectors as well as other sectors beyond education such as Health & Social Care, with scope for greater co-operation in the delivery of services.

Approach in the rest of the UK, and Internationally

- xxvi. While the main focus of the Review was to identify best practice in individual ELBs that could be applied across NI, it was important to broaden the analysis by considering the approach being adopted in the rest of the UK and internationally. In particular, there are international variations in the provision of school meals from a limited service in some countries to a full service in others, as well as differences in who is responsible for the actual delivery of the service.
- xxvii. Within the UK, there appears to be greater use of non-statutory providers in English schools compared to NI. This is in the context of evidence of the potential benefits from market testing existing public service provision, which points to cost savings from competitive tendering. This is not to say that the service should necessarily be contracted out, but that there would be merit in providing assurance that the current in-house provision offers the best Value for Money.
- xxviii. In response, to the more constrained financial position following the 2010 Spending Review, Local Authorities across England, Scotland and Wales have targeted school meals as an area where savings could be made. Actions being taken to deliver savings by Local Authorities include scaling back service provision, moving to pre-prepared meals, rationalising kitchens and employing staff on a 39 week contract instead of a 52 week contract. There is also an increased focus on reducing sick absence and staff hours as well as setting productivity targets for staff. Whilst the dispersed nature of Local Authorities means that it is often difficult to identify a consistent policy, it is important that the NI ELBs monitor the measures being taken forward elsewhere to see whether they could be applied locally.

Changes to Departmental Policy

- xxix. The Review focused on issues related to improving the operational efficiency of catering services within current policy parameters. Decisions on policy change are properly ones for Ministers to take and policy proposals have not therefore been made in this report. However, from the work undertaken and from feedback received from ELB officers, it is clear that policy change could, itself, contribute to reducing costs significantly. Areas where policy change might be considered include; focusing the eligibility criteria in respect of entitlement to FSM on those most in need, increasing the price of paying pupil and adult meals and adopting a more flexible approach to the achievement of nutritional standards.
- xxx. The eligibility criteria for FSM are more generous in NI than in the rest of the UK. For example, while the Coalition Government and the Scottish Government have not taken forward previous plans to extend eligibility to FSM, eligibility was extended in Northern Ireland in September 2010, with a further extension in September 2011. Although this means that more pupils are provided with support, the corollary is that there is less funding available for other services as a result.

xxxi. Increasing the price of school meals would appear to offer a fairly immediate route to at least marginally increasing revenue, and therefore reducing the net cost of the service. In 2010-11, paying pupils were charged £2.20 for traditional meals in primary schools. Secondary school pupils were charged £2.40 while adults were charged £2.90. The available evidence would suggest that a marginal increase in prices could be accommodated with a net increase in revenue. However, this would also mean that paying pupils would be subsidising pupils entitled to FSM.

Recommendations

xxxii. On the basis of the analysis conducted by the Review, there are five main areas where savings could be made in the provision of schools meals:

- **Increase the scale of production** by combining the existing delivery in smaller scale Production Kitchens into larger Central Kitchens. However, this is not an end in itself with the need for further action to ensure that economies of scale are fully exploited;
- **Improve staff productivity** by revising the existing guidance on staffing numbers to reflect best practice levels of productivity, and ensure that this guidance is applied across all ELBs and schools;
- **Enhance procurement skills and practice** by combining the existing management of Catering services within a single body to increase buying power and ensure that suitably qualified staff are responsible for negotiating contracts;
- **Implement best practice-** by monitoring the delivery of Catering services in other parts of the public sector in NI and elsewhere on an ongoing basis; and
- **Focus support on those most in need-** by identifying clearly the rationale for pupils being provided with free school meals and ensuring that the eligibility criteria tightly align with this need.

xxxiii. Set out below are the detailed recommendations from the Review. In the first instance, recommendations are set out which would be expected to reduce the cost of delivering the service in the short to medium term. In addition, there were a number of issues that came to light during the course of the Review which have the potential to deliver further savings. However, the short period of time available for the Review meant that it was not possible to consider each of the issues in detail. Therefore, these recommendations are more tentative in nature, often requiring further analysis before specific actions to deliver savings can be specified.

Short Term Impact

Recommendation 1.1: Education & Library Boards should update and implement a revised Staffing Schedule which is easily understood and reflects best practice standards of efficiency. The Staffing Schedule should be regarded as a living document and should be updated as required to take account of changing practices which impact on productivity. (*Paras 2.41 to 2.44*)

Recommendation 1.2: Education & Library Boards should compare staffing levels within individual schools against the staffing schedule on at least an annual basis and provide assurance to DE that staffing levels are in accordance with the staffing schedule. ELBs should also investigate the reasons why the productivity in some kitchens is below the level implied by the appropriate staffing schedules and take remedial action, as appropriate. There is potential to save around £3.5 million in staff costs if all kitchens in all ELBs adhered to the 1982 Staffing Schedule. (*Para 2.41 to 2.44*)

Recommendation 1.3: the Department of Education should set targets in Resource Allocation Plans for Education & Library Boards to improve staff productivity and monitor progress on a regular basis. (*Para 2.45*)

Recommendation 1.4: Education & Library Boards should be directed by DE to review immediately the economic viability of kitchens and dining centres on an annual basis in respect of those which fall below a threshold (150 meals per day) with the presumption being that they should move to a more cost-effective form of provision. This should be followed by annual reviews on an ongoing basis with assurance being provided to DE that the arrangements in place represent the most cost effective form of provision (*Paras 3.12 to 3.19*)

Recommendation 1.5: a common threshold of 150 meals per day for reviewing the viability of Production Kitchens should apply across all Boards. (*Paras 3.12 to 3.19*)

Recommendation 1.6: Education & Library Boards should take forward the options to reduce costs as set out in the CMSU Review of the Transportation of School Meals. (*Para 3.18*)

Recommendation 1.7: In advance of the establishment of any regional authority (such as the Education and Skills Authority) responsibility for the procurement of all (catering related) goods and services should be combined in a single Education & Library Board staffed by individuals with suitable procurement skills. (*Paras 3.32 to 3.33*)

Recommendation 1.8: The Department of Education and Education & Library Boards should review the Terms and Conditions for catering staff to ensure a consistent and best value approach across ELBs, including consideration of the removal of retainer fees over the summer period. (*Para 3.36*)

Recommendation 1.9: In reviewing staff Terms and Conditions Education & Library Boards should seek greater flexibility in staffing complements to reflect the reduced level of activity during certain periods of the year. (*Para 3.37*)

Recommendation 1.10: Other Education & Library Boards should adopt the approach taken by the SEELB in respect of the need for dedicated posts relating to the management and co-ordination of Catering services. (*Para 3.41*)

Recommendation 1.11: The catering administration and management function should be combined in a single Education and Library Board. (*Para 3.54*)

Recommendation 1.12: Drawing on the experience of the SELB, all ELBs to consider whether increased use of convenience desserts offers scope for savings without impacting on nutritional standards. (*Para 3.61*)

Recommendation 1.13: All Education & Library Boards to consider, on an ongoing basis, the actions being taken by Local Authorities in the rest of the UK to achieve savings in respect of their School Meals budgets to see if there are any which could be implemented in their area. (*Para 4.17*)

Recommendation 1.14: Education & Library Boards should put in place an enhanced system for controlling and monitoring absenteeism and provide the necessary levels of assurance to DE that absenteeism is being managed in accordance with each Board's Managing Attendance Policy. (*Para 4.20*)

Recommendation 1.15: the Department of Education should work with Education & Library Boards to embed the work of nutritional standards co-ordinators within existing management structures. (*Paras 4.32 – 4.35*)

Long Term Impact

Recommendation 2.1: Education & Library Boards should investigate the reasons for the wide variation in total spend per meal at similar levels of production on a regular basis and identify and disseminate lessons learnt from kitchens achieving relatively low spends per meal with a view to reducing this variation. There is potential to save around £4.7 million by reducing unit costs in kitchens with the highest costs to the average level and £7.5 million by reducing costs to the upper quartile level. (*Para 2.23*)

Recommendation 2.2: the Department of Education to investigate the extent of variations in cost per staff member across the five Education & Library Boards and issue guidance to Boards to ensure that a consistent approach is adopted. (*Para 2.38*)

Recommendation 2.3: all Education & Library Boards should be set a target of reducing non-frontline staff costs as a percentage of total staff costs. (*Paras 2.46 to 2.48*)

Recommendation 2.4: Education & Library Boards should ensure that income generating activities do not detract from the core business and objectives of the Catering Service on an ongoing basis. (*Paras 3.29 to 3.31*)

Recommendation 2.5: Education and Library Boards should examine the scope to make further savings by collaborating with other parts of the public sector in the procurement of goods and services. (*Para 3.34*)

Recommendation 2.6: the Department of Education and Education & Library Boards should undertake a study of the feasibility and costs and benefits of moving to a cook/freeze approach to the delivery of school meals to Dining Centres. (*Para 3.53*)

Recommendation 2.7: the Department of Education should examine the approach to providing the Catering service in other sectors (e.g. Voluntary Grammar Schools and Grant Maintained Integrated Schools) in order to see whether there are any lessons for Education & Library Boards. (*Paras 4.2 to 4.4*)

Recommendation 2.8: the Department of Education should consider the merits of market testing the provision of the Catering Service through a competitive costing exercise. (*Paras 4.7 to 4.9*)

Recommendation 2.9: the Department of Education should review the findings from the CMSU Review of the School Catering Service to consider the extent to which the original recommendations were implemented as well as the scope to take forward the outstanding recommendations at the current time. (*Para 4.18*)

xxxiv. Although the subject of this report has been Catering services there have been a number of issues raised during the course of the Review that have implications for the provision of ELB services more generally. In particular, there is an immediate need for the Department to adopt a more pro-active approach to the planning and delivery of services by ELBs to ensure that the most efficient and effective approach is adopted across all of NI.

Recommendation 3.1: In advance of the establishment of any regional authority (such as the Education and Skills Authority), the Department of Education should take a stronger and more proactive role in ensuring that best practice in cost effectiveness in the delivery of Educational services applies to all Boards. This should include providing clear guidance in respect of the delivery of services as well as ensuring that this is implemented.

Recommendation 3.2: The Department of Education should take action to ensure it reviews, promotes and challenges the implementation of best value in the provision of services across all ELBs until ESA is established and then by ESA.

Recommendation 3.3: Looking at best practice elsewhere, the Department of Education should develop a set of value for money Performance Indicators (including unit costs for each major service to allow the monitoring of performance between Boards and with other jurisdictions). The performance in respect of each indicator should be reported to the Minister of Education and published on a regular basis.

Recommendation 3.4: The Department of Education should work with the Boards to ensure a consistent approach to the collection, collation and reporting of financial and non-financial management information.

CHAPTER 1: INTRODUCTION

Background

- 1.1 In July 2010 the Northern Ireland (NI) Executive agreed that the Education and Health sectors would be exempt from the in-year adjustments to the budgets of NI departments resulting from the UK Government's decision to reduce the funding available to the Executive for 2010-11. This was on the condition that *'the Ministers for Health and Education agree to DFP, on behalf of the Executive, commissioning PEDU to undertake work into the scope for, and delivery of, significant cost reductions across the two sectors'*.
- 1.2 The Terms of Reference (ToR) for the Review of the Education Sector were agreed by the Ministers for Education and Finance & Personnel in November 2010 and are set out at Annex A. This provided for the Review to be taken forward in two stages with Stage 1 involving the identification of broad areas within the Education sector where there appeared to be scope to make savings. Stage 2 would then consider two of the areas from Stage 1 in greater detail with the aim of identifying actions to deliver savings. The Review has been taken forward by officials in the Department of Education (DE) working with the Performance and Efficiency Delivery Unit (PEDU).
- 1.3 This report sets out the main findings in respect of the potential to achieve costs savings in the provision of Catering services by NI Education & Library Boards (ELBs). In 2010-11, approximately £58.7 million was spent by ELBs in the provision of 22.2 million meals in local schools, offset by £29.6 million in income from pupils and staff.
- 1.4 It is important at the outset to recognise that cost efficiency is only one aspect of the delivery of Catering services with schools also expected to increase uptake rates, particularly from pupils with entitlement to Free Schools Meals (FSM) whilst also adhering to nutritional standards. In the context of rising staff, food and energy costs this represents a significant challenge to those involved in the provision of school meals. However, it is essential that savings are made in Catering services, so that more funding is available for teaching activities in the classroom.
- 1.5 The DE consultation document on the draft Budget 2011-15 sets out savings to be realised across the Education sector over the Budget period including £1 million per annum from the school meals budget, beginning in 2012-13. Although it is intended that the outcome of this Review will inform the development of savings plans to achieve this objective, the ToR for the Review do not indicate that a specific level of savings should be identified.

Summary of Stage 1 of the Review

- 1.6 Stage 1 of the Review was undertaken in late 2010 with the findings reported to the Education and Finance Ministers in early 2011¹. In brief, this involved a

¹ <http://www.deni.gov.uk/pedu-review-of-education-sector-stage-final-report-march-2011.pdf>

high-level examination of the prospects for savings in the following areas of Education administration and support services:

- Home to School Transport;
- Catering;
- Education and Library Board Administration;
- Cleaning;
- Council for Catholic Maintained Schools (CCMS) running costs;
- Professional Development Spend (primarily CASS);
- Teachers' Pay and Pensions Administration; and
- ELB Procurement.

1.7 The Stage 1 analysis was primarily based on benchmarking unit costs across organisations and over time, taking account of variations in outputs and the extent to which functions were duplicated across organisations. Evidence was found of the potential to make savings across each of the areas examined, largely in the form of unexplained variations in unit costs.

Approach to Stage 2 of the Review

1.8 Following the conclusion of Stage 1, the Ministers for Education and Finance & Personnel agreed that Stage 2 of the Review would examine the scope for savings in respect of Home to School Transport and Catering services. DE is now separately taking forward work to investigate the potential for efficiencies in the remaining areas identified in the Stage 1 Report.

1.9 In terms of Catering services, the Stage 1 analysis indicated that the average cost per school meal in 2008-09 was 24.4% higher in the North-Eastern Education and Library Board (NEELB) than the South-Eastern Education and Library Board (SEELB). There were also significant differences identified in respect of staff productivity and administration costs between the ELBs. This suggested that there was scope for material savings if all ELBs could match the performance of the most cost-efficient ELB, even before comparing with operations elsewhere. However, it was also recognised that part of the cost differential may reflect location-specific factors, such as the geographical spread of facilities.

1.10 The analysis at Stage 2 focused on exploring reasons for variations in unit costs across ELBs and over time with recommendations based in part on variations considered avoidable. Stage 2 of the Review was informed by additional qualitative and quantitative information sourced from each of the ELBs through:

- **Structured Interviews with ELB Representatives:** to gain a better understanding of the delivery model for each Board as well as their views on the reasons for differences in costs with other ELBs and possible solutions- a list of the individuals interviewed is set out at Annex B;
- **Requests for Additional Data:** while Stage 1 of the Review relied on information and evidence that was directly available in the department, more

detailed data was obtained from the individual ELBs to inform Stage 2 including the cost per meal for each school;

- **School Visits:** A primary and post primary school, both in the SEELB area, were visited to gain an insight into the practical operation of the school meals service and the views of frontline staff on how the service could be delivered more efficiently.
- 1.11 The Review Team is grateful to all those who gave of their time to be interviewed as well as the positive approach towards the Review. Analysis of this kind is rarely comfortable for those with responsibility for the area under review. However, in this case, as with the Review of Home to School Transport, there has been constructive engagement with almost all the options to make savings set out in the Report relating to our discussions.
- 1.12 The main emphasis in this Review has been on ensuring that best practice within the ELBs is applied on a consistent basis across all of the NI Boards. This reflects the variations in unit costs currently, which suggest that significant savings could be made if all ELBs matched the performance of the Board with the lowest unit cost. However, even the most efficient organisation, on an overall basis, will have aspects of performance that could be improved by learning from the other ELBs. In addition, whilst it is often easier to take forward actions that have been effectively implemented in neighbouring areas, rather than further afield, it is essential that the ELBs do not simply limit their level of ambition to best practice within NI, but also nationally and internationally.
- 1.13 Furthermore, the Review Team was asked to ensure that the focus of the report was on identifying the scope for savings within existing policy parameters. Therefore, whilst reference is made to areas where Ministers might consider policy changes, these have not been developed into formal recommendations.

Structure of the Report

- 1.14 The remainder of the report is structured as follows. Chapter 2 examines the cost of providing Catering services in more detail including an update of the Stage 1 analysis coupled with the supplementary information from ELBs; Chapter 3 considers the different approaches to the delivery of Catering services across the ELBs whilst Chapter 4 examines best practice elsewhere and alternative ways to make savings. Chapter 5 sets out the main conclusions and recommendations from the Review.

CHAPTER 2: COST OF PROVIDING THE CATERING SERVICE

Introduction

- 2.1 The Stage 1 Report identified significant variations in respect of the average cost per school meal across the five Education and Library Boards (ELBs). However, due to the high-level nature of Stage 1, the analysis was based solely on information readily available within the Department of Education (DE). Furthermore, the Review Team did not have the opportunity to 'stress test' the findings with the ELBs.
- 2.2 At Stage 2 the Review Team were able to engage with officials in the ELBs, sourcing additional quantitative and qualitative information to refine and extend the Stage 1 analysis. This chapter draws heavily on the additional quantitative data provided by ELBs on the costs of providing the service while Chapter 3 examines the qualitative information to help explain the variations in costs and identify actions to deliver savings.
- 2.3 This chapter sets out the results of detailed analysis of the costs of providing the School Meals service including:
- Total costs of providing the service;
 - Costs by type of provision and mode of delivery;
 - Kitchen Size;
 - Spend on Goods and Services;
 - Staff costs, complements and productivity; and
 - Cost of Providing '30p' Adult Meals
- 2.4 The analysis in this chapter focuses largely on benchmarking the delivery of the school meals service across ELBs with some comparisons made with Local Authorities in the rest of the UK. It was originally intended that the analysis would also include comparisons with other local education sectors and the provision of meals in the Health & Social Care sector. However, it was decided not to undertake this additional analysis given the limited time available for the Review.

Total Costs of Providing the Service

- 2.5 The gross cost of providing the service across the five ELBs in 2010-11 was £58.7 million, representing an increase of 12.5% compared to 2006-07. However, during this period the overall number of meals served per annum has only increased slightly, resulting in a 12.1% increase in unit cost.
- 2.6 While all ELBs would have faced similar inflationary pressures, with cumulative general inflation over the period of 9.3%², cost increases have not been uniform across the ELBs. In addition, the roll out of nutritional standards, for school meals from September 2007 and for other food and drink from April 2008, resulted in additional costs.

² As measured by the GDP deflator which is a measure of general inflation in the domestic economy.

2.7 Table 2.1 below shows that the South Eastern Education and Library Board (SEELB) appears to have managed inflationary pressures more effectively than the other ELBs with increases in total costs constrained to 7.5% against a 10.7% increase in meals served, resulting in a *fall* of 2.9% in unit costs. In contrast, total costs in the Western Education and Library Board (WELB) have increased by 20.5% while the number of meals served has dropped by 2.5%, resulting in a 23.5% *increase* in unit costs. If all ELBs had matched the performance of SEELB in respect of the change in unit cost between 2006-07 and 2010-11, the gross cost of providing school meals would have been £7.8 million lower in 2010-11. However, it is important to recognise that the differences between ELBs may in part be due to differences in their Board area characteristics as well as unit cost levels at the start of the period.

Table 2.1: Total Cost of the Catering Service 2006-07 to 2010-11

BOARD	2006-07	2007-08	2008-09	2009-10	2010-11	% Change
BELB						
Gross Cost (£000)	7,060	7,446	7,424	7,976	8,033	13.8%
Meals (000)	3,256	3,097	3,255	3,258	3,406	4.6%
Average Cost (£)	2.17	2.40	2.28	2.45	2.36	8.8%
NEELB						
Gross Cost (£000)	11,554	11,658	12,598	12,955	12,749	10.3%
Meals (000)	4,462	4,229	4,501	4,385	4,546	1.9%
Average Cost	2.59	2.76	2.80	2.95	2.80	8.3%
SEELB						
Gross Cost (£000)	7,496	7,732	7,669	8,016	8,054	7.5%
Meals (000)	3,020	3,113	3,364	3,223	3,342	10.7%
Average Cost (£)	2.48	2.48	2.28	2.49	2.41	-2.9%
SELB						
Gross Cost (£000)	14,162	14,582	15,189	15,828	15,513	9.5%
Meals (000)	6,228	5,939	6,198	6,037	5,885	-5.5%
Average Cost (£)	2.27	2.46	2.45	2.62	2.64	15.9%
WELB						
Gross Cost (£000)	11,902	12,378	13,580	13,723	14,337	20.5%
Meals (000)	5,240	5,021	5,250	5,197	5,110	-2.5%
Average Cost (£)	2.27	2.47	2.59	2.64	2.81	23.5%
All						
Gross Cost (£000)	52,174	53,796	56,459	58,497	58,687	12.5%
Meals (000)	22,206	21,400	22,567	22,100	22,289	0.4%
Average Cost (£)	2.35	2.51	2.50	2.65	2.63	12.1%

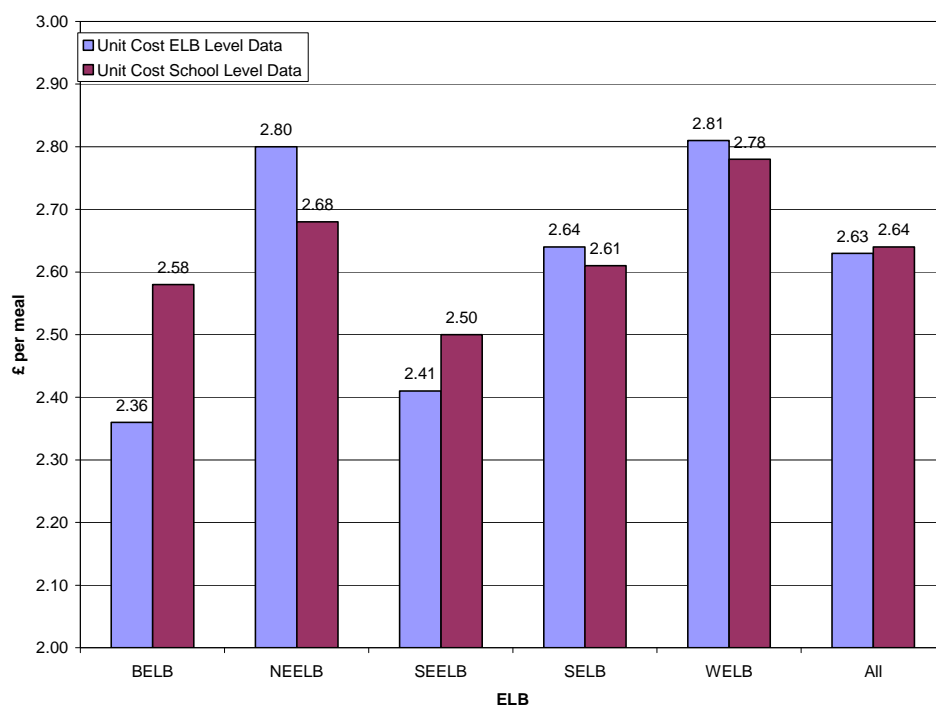
Source: Education and Library Boards

2.8 As well as the large differences in the changes to unit costs over the period, the data also points to significant variation in the level of unit costs across the five ELBs, as illustrated in Figure 2.1. In 2010-11 the average cost of providing a school meal was 45p or 19.1% more expensive in WELB than in the Belfast Education & Library Board (BELB) using ELB level data. If all ELBs had matched the performance of BELB in terms of unit costs, the gross cost of providing the school meals service would have been £6.1million lower in 2010-11.

2.9 In addition, the average cost per meal for each school was also provided which presents a slightly different picture in respect of the differences between ELBs³. In particular, Figure 2.1 shows that using the school level data SEELB replaces BELB as the ELB with the lowest unit cost with WELB still having the highest cost. The lower unit cost in SEELB does not appear to be at the expense of reduced quality or nutritional standards with unit food costs in the Board comparable to those in the other ELBs.

2.10 While *some* of the variation in unit costs may be explained by the different operating environments faced by ELBs, it is unlikely that these factors would change significantly in the short to medium term and therefore their impact on changes in unit costs in the period would not be expected to be material. In addition, the Southern Education & Library Board (SELB) and WELB are both rural ELBs yet have a 6.4-6.5% difference in costs whilst SEELB and the North-Eastern Education & Library Board (NEELB) both provide services in a suburban environment yet also have significant differences in costs.

Figure 2.1: Average Cost per Meal 2010-11



Source: Education and Library Boards

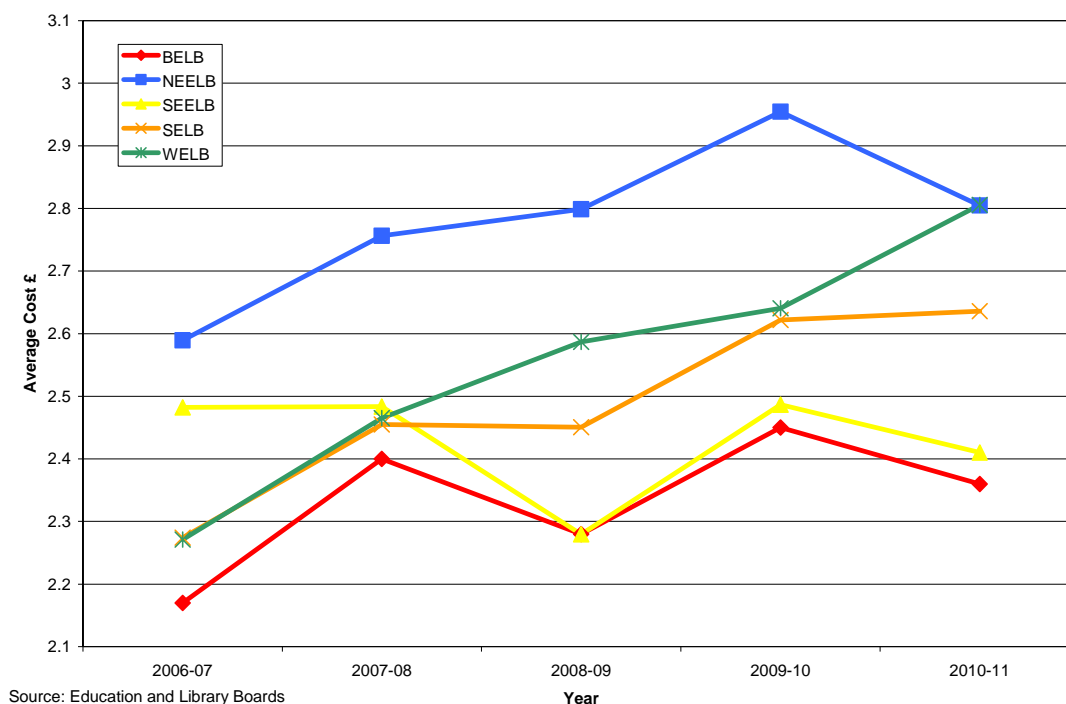
2.11 Figure 2.2 illustrates the trend in unit costs across the ELBs from 2006-07 to 2010-11 on the basis of the ELB level data. While BELB remains the ELB with the lowest unit cost, there have been some changes to the rankings over the period. For example, SEELB has improved from the Board with the second highest unit cost to that with the second lowest, while WELB now has the highest unit cost. This shows that it is possible for individual ELB's to

³ The data was compiled by different sections in ELBs with Catering Managers supplying the school level data and Finance sections compiling ELB level data. Typically, the school level data includes all costs associated with each unit cost centre including maintenance costs, one-off costs for equipment etc which have been excluded from ELB level data.

significantly improve their relative performance over a relatively short period of time.

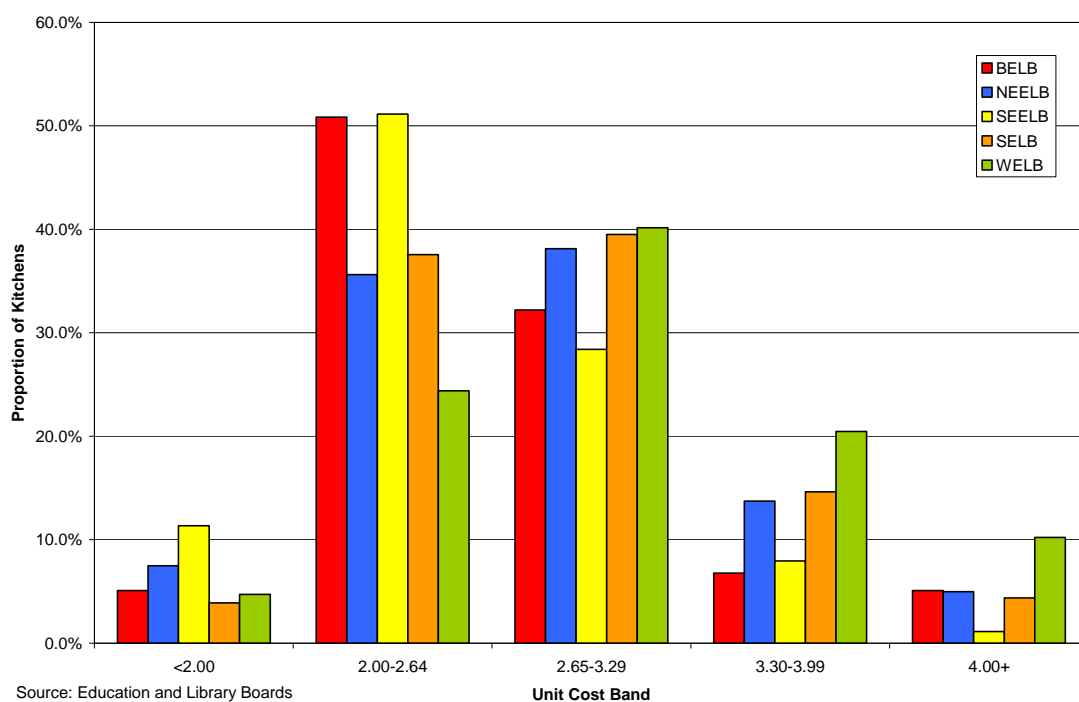
2.12 Figure 2.2 also shows a dip in unit costs over the year to 2008-09 in BELB and SEELB with the cost in SELB remaining largely static. During the financial year 2008-09 there was no Easter Holiday period with two Easters falling in 2007-08. As a result there were more operating days in 2008-09 where ELBs could generate income to offset costs. It is worth noting, however, that despite this positive factor, unit costs continued to rise in NEELB and WELB.

Figure 2.2: Average Cost per Meal 2006-07 to 2010-11



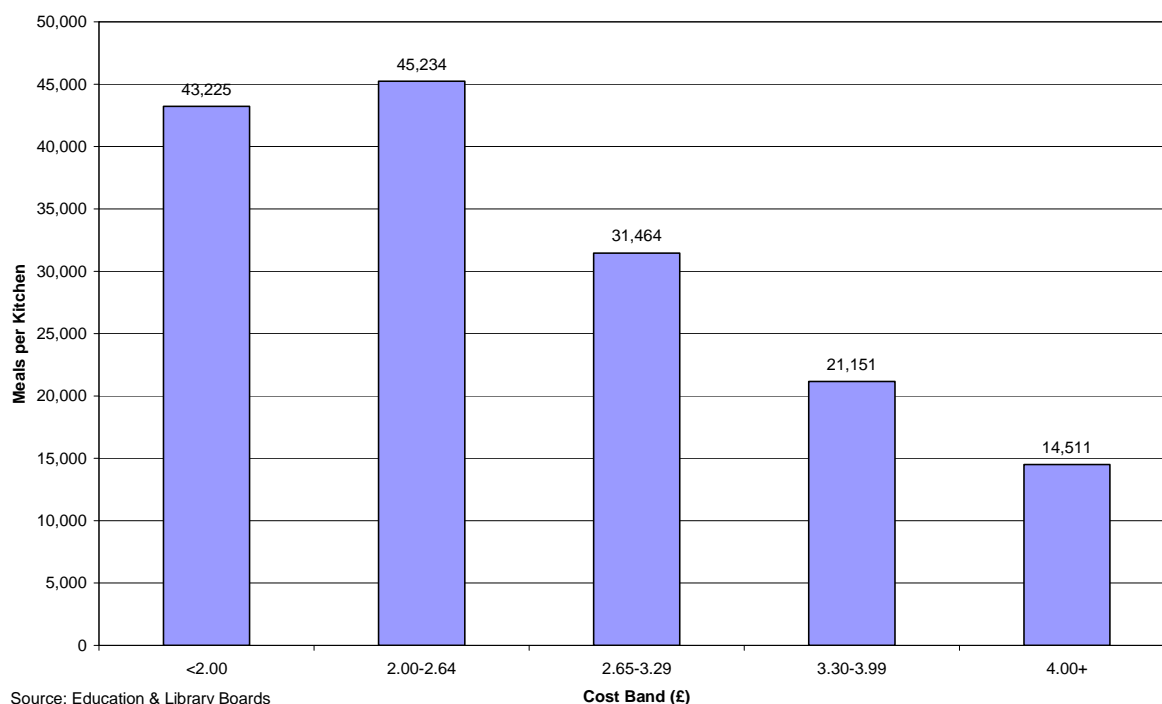
2.13 Beneath the headline unit cost figures, there are significant differences in the cost efficiency achieved by individual kitchens in each ELB. Figure 2.3 below sets out the proportion of kitchens in each ELB achieving unit costs within particular cost bands. SEELB has the highest proportion of kitchens with unit costs less than £2.65 and the lowest proportion of kitchens with costs above £3.30 with the converse true for WELB. In WELB 30.7% of kitchens have a unit cost greater than £3.30 compared to only 9.1% in SEELB. NEELB and SELB also have a significant proportion of kitchens with a unit cost greater than £3.30 at 18.8% and 19.0% respectively.

Figure 2.3: Proportion of Kitchens by Cost Band



2.14 Looking at the scale of production in kitchens by cost band there appears to be evidence of economies of scale. Figure 2.4 below shows that, on average, those kitchens with a unit cost of less than £2 serve almost three times more meals per kitchen than kitchens with a unit cost of more than £4.

Figure 2.4: Scale of Production by Cost Band



Costs by Mode of Delivery

- 2.15 There are two main modes of delivery in respect of school meals: Production Kitchens within individual schools which provide meals only for that particular school; and Central Kitchens (also within a school) from where meals are also delivered to dining centres in receiving schools. The expectation here is that the larger scale of activity in Central Kitchens would result in lower unit costs.
- 2.16 Table 2.2 below compares school level data on the average cost per meal by mode of delivery which indicates that the average cost per meal in a single Production Kitchen is 3.1% higher than in a Central Kitchen⁴. In addition, there is significant variation in the cost per meal by mode of delivery with a wide range of costs observed in both Production Kitchens and Central Kitchens⁵.

Table 2.2: School Level Data on the Average Cost per Meal 2010-11

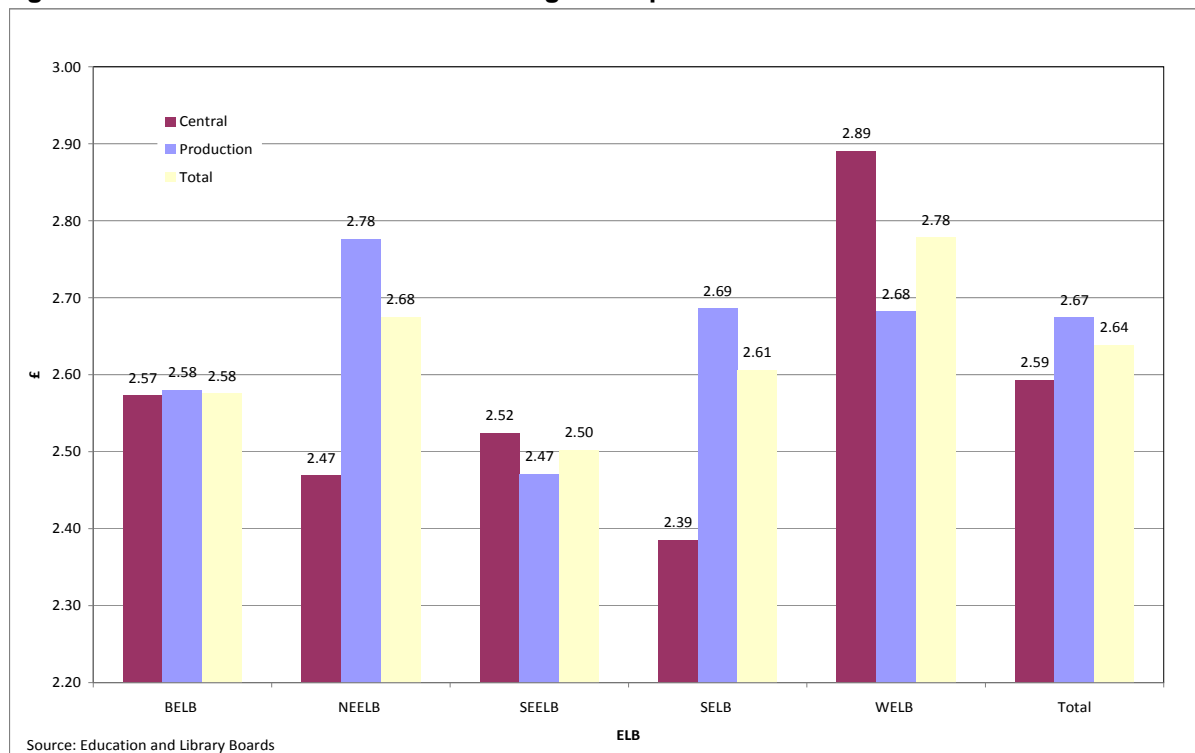
	Lower Quartile	Mean	Upper Quartile
Production Kitchen	2.44	2.67	3.15
Central Kitchen (including dining centres)	2.33	2.59	3.08

- 2.17 The relatively small average differential between the unit costs of Central and Production Kitchens was surprising. However, Figure 2.5 below compares the unit cost per meal by kitchen type and ELB which illustrates that while Central Kitchens are less expensive than Production Kitchens at an overall level, there are significant differences in the differential across ELBs. In particular, within NEELB and SELB Central Kitchens have 11% lower unit costs than Production Kitchens while in WELB Central Kitchens are 7.8% more expensive than Production Kitchens, whereas there is little difference between the modes in BELB and SEELB.
- 2.18 This would suggest that WELB, BELB and SEELB are not exploiting the potential savings from Central Kitchens to the fullest extent possible. This in turn explains why the differential in average costs between Central and Production Kitchens at an overall level was less than would have been expected. It is understood that ELBs have different operating practices in respect of transporting meals from Central Kitchens to Dining Centres and variations in the cost effectiveness of these practices may explain why some ELBs are not maximising the savings potential from Central Kitchens. This was the subject of a recent Central Management Support Unit (CMSU) Review which is discussed further in chapter 3.

⁴ Unit costs for central kitchens are based on data supplied by ELBs and include all costs associated with each unit cost centre. It is understood that different practices operate across the ELBs in respect of charging the Catering Service for the delivery of meals, ranging from charges based on the marginal cost of fuel and maintenance to total running costs.

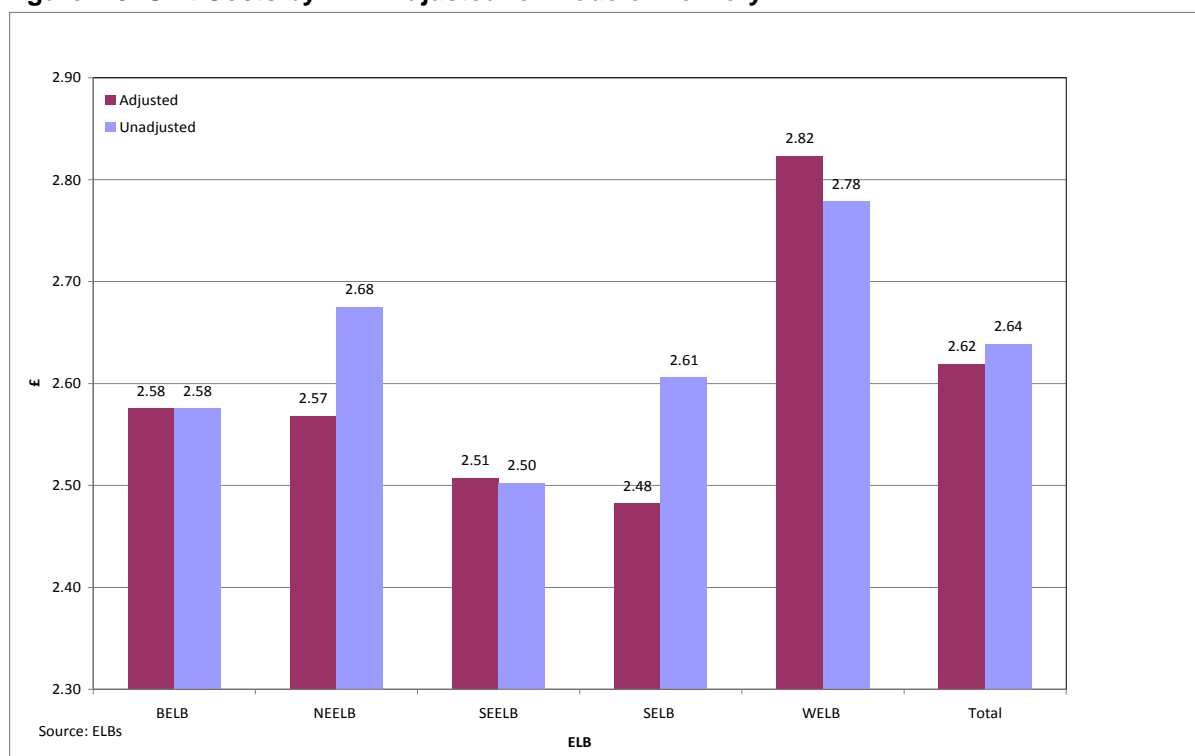
⁵ The highest unit cost observed in a Central Kitchen was £5.53 while the highest cost in a Production Kitchen was £11.76.

Figure 2.5: School Level Data on the Average Cost per Meal 2010-11



2.19 In Figure 2.6 below, the unit costs for each ELB have been adjusted to take account of the different utilisation of Central Kitchens across the ELBs, with the BELB distribution applied to all, as the ELB with the greatest use of this mode. Adjusting for mode of delivery results in a significant drop in the unit costs of NEELB and SELB to below that of BELB but a rise in the unit costs in WELB.

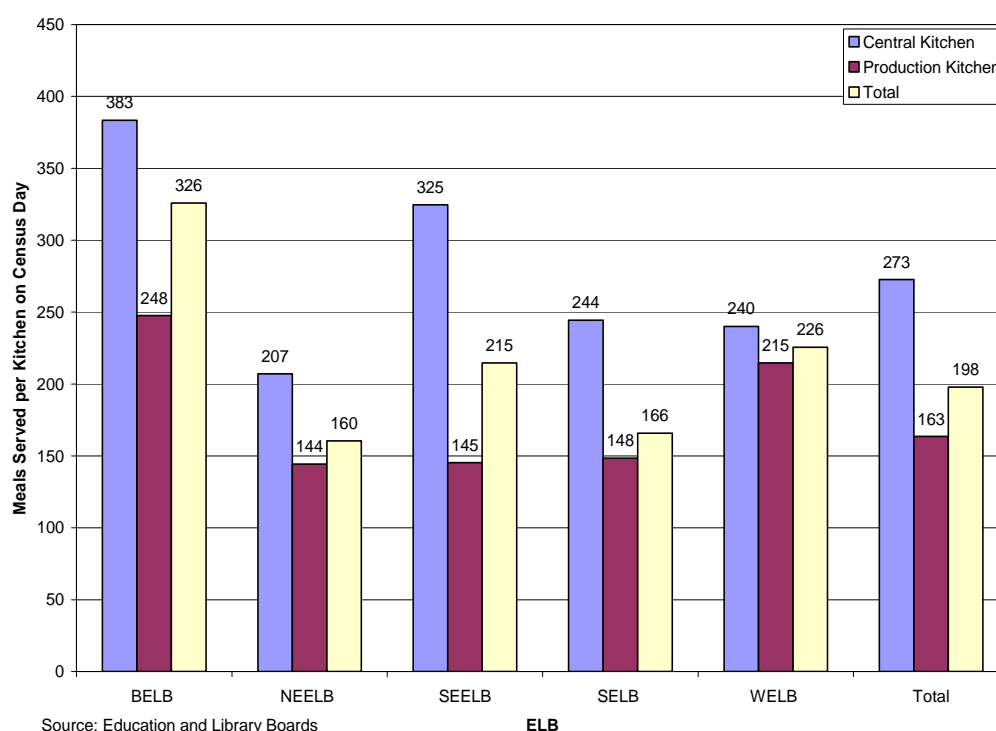
Figure 2.6: Unit Costs by ELB Adjusted for Mode of Delivery



2.20 This also suggests that a large part of the higher overall unit cost in NEELB and SELB can be explained by the lower use of Central Kitchens, implying that savings could be made in these ELBs by increasing this mode of delivery, albeit that matching the levels achieved in BELB may not be appropriate for all ELBs⁶. On the other hand, the differential between WELB and the other ELBs increases further, suggesting that other factors are involved.

2.21 The lower cost in Central Kitchens appears to be mainly due to economies of scale, as illustrated in Figure 2.7 below with Central Kitchens typically preparing 67.5% more meals per day than Production Kitchens. The one exception is WELB where there is much less of a difference in scale of production by mode of delivery, perhaps explaining in part the strange result in Figure 2.5. In contrast, there is a clear difference in the scale of production in Central and Production kitchens for BELB and SEELB which was not reflected in the unit cost figures. This suggests that either there are only limited economies of scale beyond a certain point or that the potential savings have not been fully exploited.

Figure 2.7: Scale of Production by ELB and Mode of Delivery 2010-11

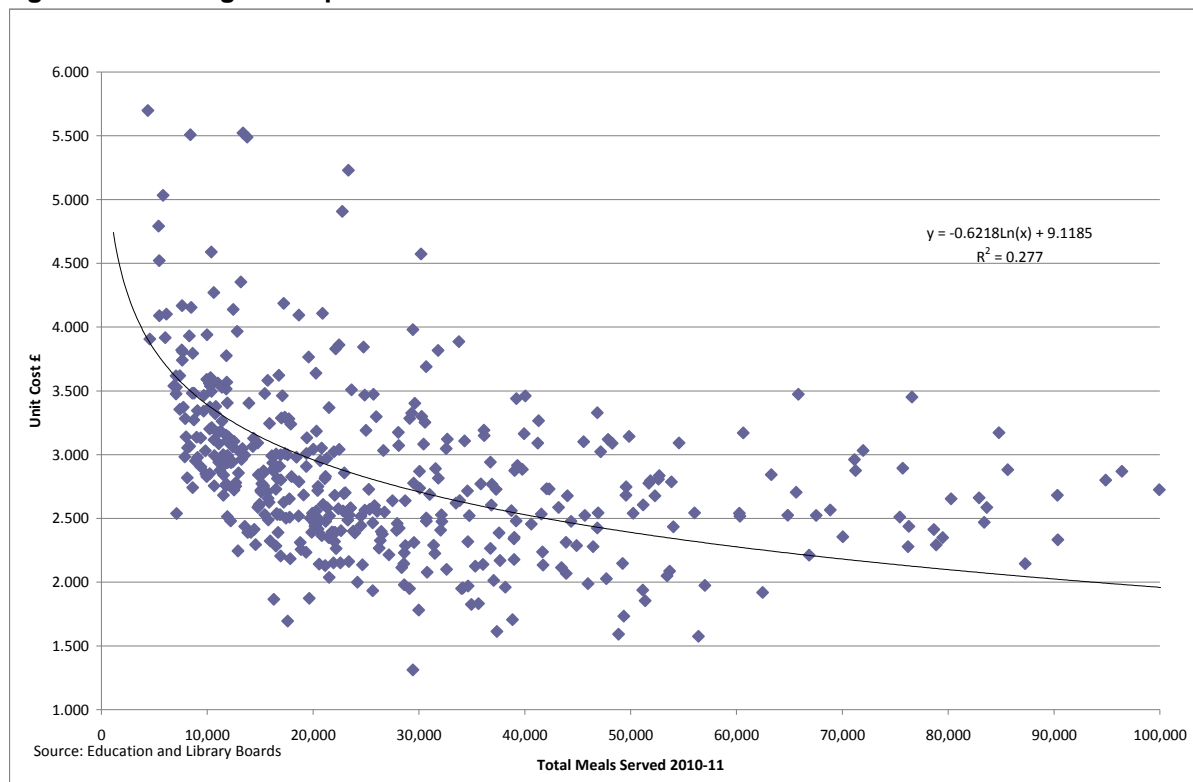


Kitchen Size

2.22 As referred to above, one of the main factors explaining the differences in average cost between schools is the number of meals served per day. Figure 2.8 below highlights the inverse relationship between the number of meals served and average cost in 2010-11 in respect of Production Kitchens. The same relationship was also observed in respect of Central Kitchens.

⁶ It was indicated that meals cannot be transported in line with food regulations unless they meet the criteria of delivery to the Dining Centre within either 30 minutes or a 10 mile radius.

Figure 2.8: Average Cost per Meal Served in Production Kitchens 2010-11



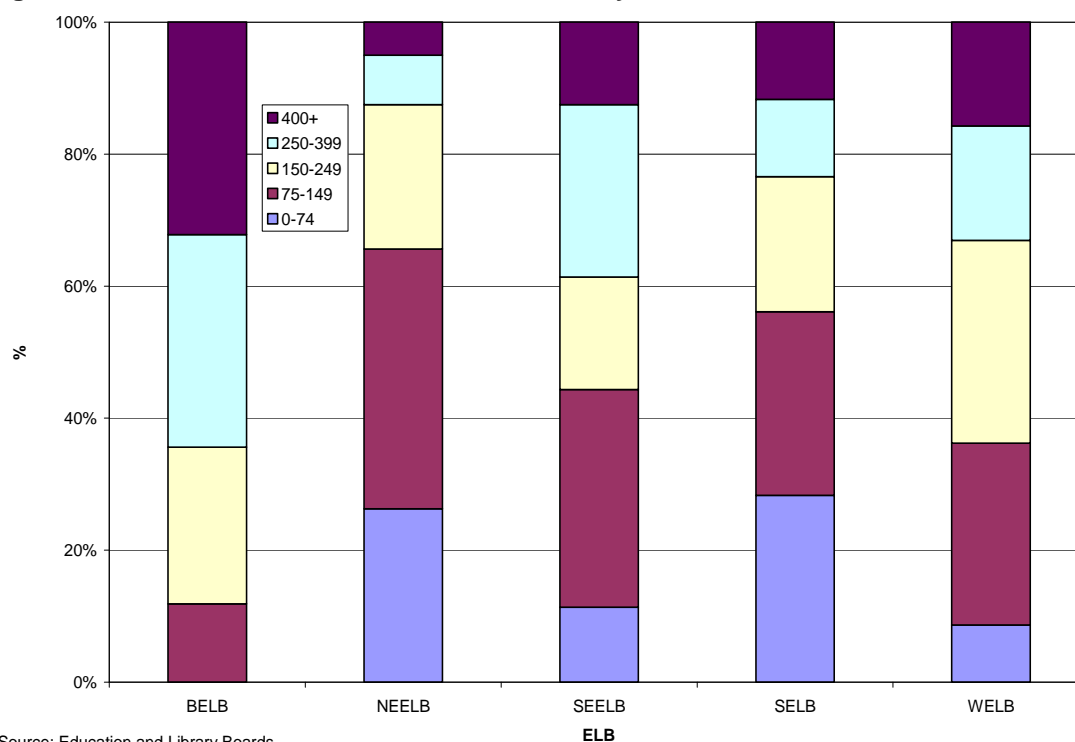
2.23 Figure 2.8 also highlights that, within each level of production, there is significant variation in the average cost per meal. This was somewhat surprising as it was expected that the scale of activity would have been the predominant factor in explaining variations in unit costs between schools. However, it has been suggested that some of the variation in cost at similar levels of production may be explained by differences in service and operational requirements at individual schools. The total cost of providing school meals would have been £4.7million less in 2010-11 if the kitchens with the higher than average unit costs had achieved the average and £7.5million lower if all schools had at least achieved upper quartile levels of performance.

Recommendation 2.1: Education and Library Boards should investigate the reasons for the wide variation in total spend per meal at similar levels of production on a regular basis and identify and disseminate lessons learnt from kitchens achieving relatively low spends per meal with a view to reducing this variation. There is potential to save around £4.7 million by reducing unit costs in kitchens with the highest costs to the average level and £7.5 million by reducing costs to the upper quartile level.

2.24 Figure 2.9 below highlights the extent of the variation between ELBs in respect of the number of meals served per kitchen. Based on the output of meals on census day 2010, BELB has the lowest proportion of kitchens serving less than 150 meals per day at 11.9%. In contrast, within NEELB and SELB over half of the kitchens prepared less than 150 meals per day. WELB has the second lowest proportion of kitchens serving less than 150 meals per day which is

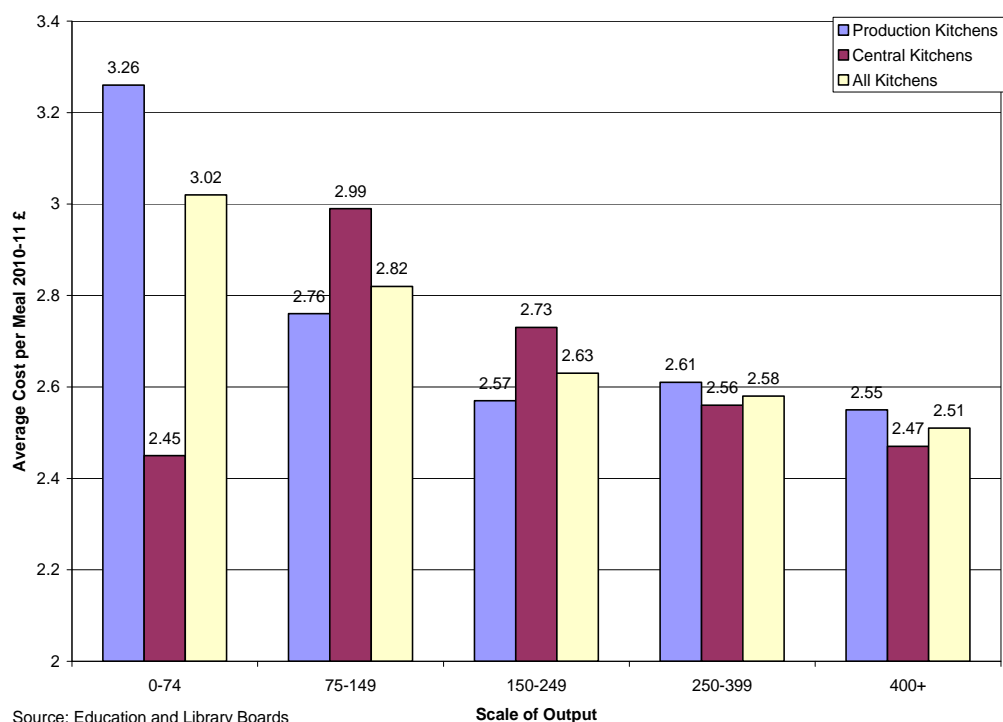
surprising given that WELB has the highest unit costs using ELB and kitchen level data and the rural nature of the ELB.

Figure 2.9: Distribution of School Meals Service by Kitchen Size and ELB



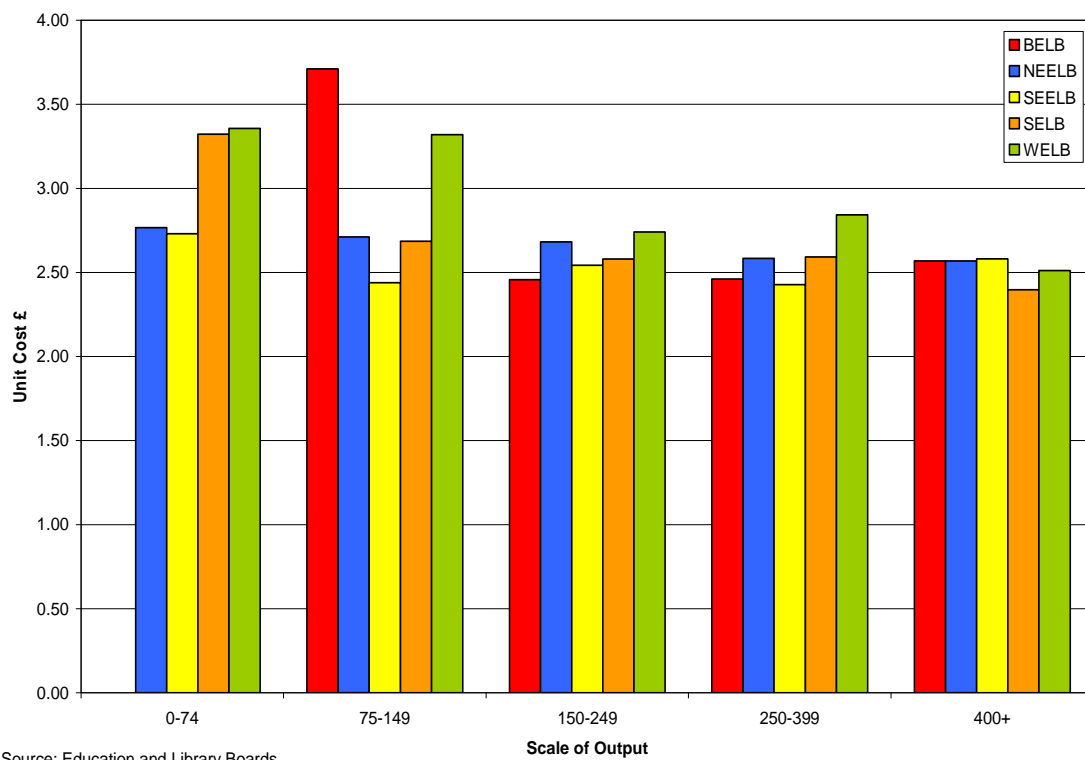
2.25 As illustrated in Figure 2.10 below, the average unit cost typically falls when the scale of production increases, although overall average unit cost does not appear to reduce significantly once the number of meals served reaches 150 meals per day. However, Figure 2.10 also shows that there is a difference between Central Kitchens and Production Kitchens. In particular, average costs continue to fall in Central Kitchens as production moves from 150 to 400 per day, albeit at a slower rate. In the context, of the lower than expected differential in unit costs between Central and Production Kitchens noted above, this suggests that it is not sufficient to simply move from a Production Kitchen to Central Kitchen. In addition there is a need to ensure that the full benefits of increasing the scale of production are exploited.

Figure 2.10: Unit Costs by Scale of Production



2.26 Differences in unit costs between ELBs are more pronounced at lower levels of production as illustrated in Figure 2.11 below with little difference observed when output is greater than 400 meals per day.

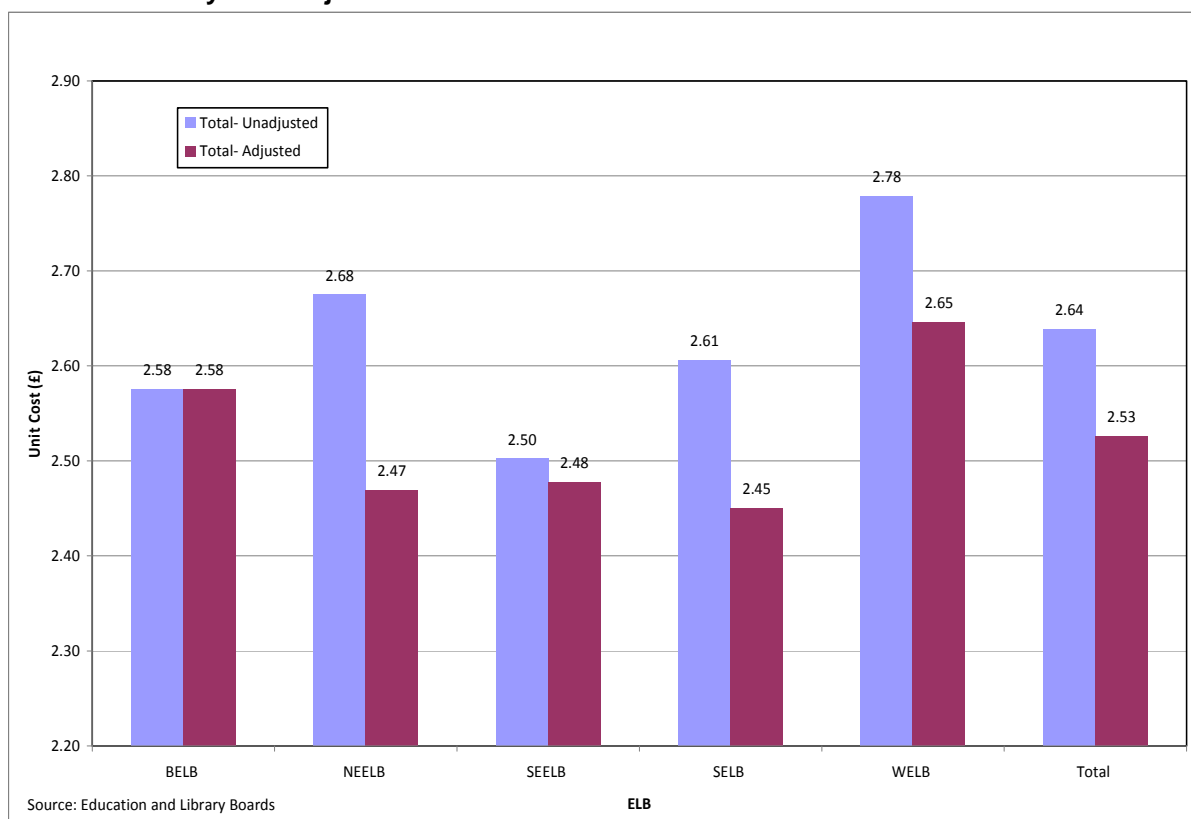
Figure 2.11: Unit Costs by ELB and Kitchen Size



2.27 While unit costs were typically highest in WELB across most output ranges, it is interesting to note that the average unit cost in BELB was 28p higher than in WELB and £1.28 higher than in SEELB for kitchens serving 75 to 149 meals per day. The overall unit cost for BELB has remained relatively low despite these high cost kitchens because only 11.8% of kitchens operate in this range. Nonetheless, it appears that the average unit cost for BELB could be reduced if the ELB addressed the cost competitiveness of kitchens operating in this range. However, BELB has indicated that the costs of two of the seven centres in this range are not representative of the normal school meals setting.

2.28 Figure 2.11 indicates that across all ELBs there is potential to realise savings by increasing the scale of output by combining smaller kitchens. If all ELBs had the same size profile of kitchens as BELB the average unit cost for school meals would have been 11p less expensive in 2010-11, as illustrated in Figure 2.12 below. However, given the particular characteristics of individual ELBs, it may not be appropriate for all of them to fully replicate the size profile of kitchens in BELB. This equates to a saving in the total cost of the school meals service of £2.4 million in 2010-11. NEELB appears to have the greatest potential to realise savings by expanding output with the unit cost dropping by 21p or 7.8% when costs are adjusted to reflect the size profile of kitchens in BELB.

Figure 2.12: Unit Cost by ELB Adjusted to BELB Kitchen Size



2.29 It is also evident that the superior overall performance by BELB is driven primarily by its greater scale of production, with NEELB, SEELB and SELB all having lower costs once kitchen size has been taken into account. This would

suggest that in spite of having the lowest unit cost, there is also scope for BELB to make savings by examining best practice in the other ELBs. WELB remains the outlier, with higher unit costs than the other ELBs regardless of the form of analysis.

Spending on Goods and Services

2.30 In order to identify potential reasons for the differences in the average cost per school meal the two main cost components were examined; spend on Goods & Services as well as Staff costs. In respect of the former, there is significant variation observed in spending on Goods & Services in 2010-11 between schools, with an interquartile range of 36p across the ELBs. Table 2.3 shows the lower quartile, mean and upper quartile spend on Goods & Services per meal at a kitchen level within ELBs.

Table 2.3: School Level Data on Spend on Goods and Services per Meal 2010-11 (£)

	Lower Quartile	Mean	Upper Quartile
BELB	0.93	1.11	1.26
NEELB	0.83	1.03	1.22
SEELB	0.81	0.97	1.09
SELB	0.94	1.11	1.26
WELB	0.97	1.15	1.36
All	0.90	1.08	1.26

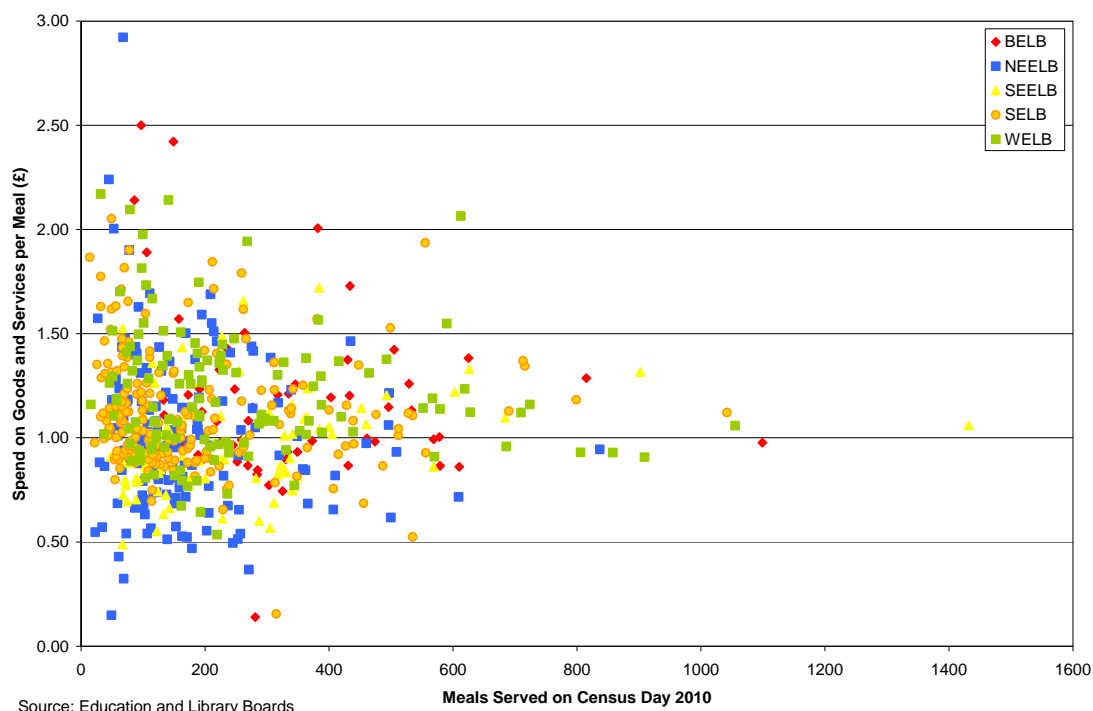
2.31 The mean spend per meal on Goods & Services in WELB is 18.6% higher than in SEELB. Across the ELBs, spend on Goods & Services accounts for around 40% of the cost of a meal. Table 2.4 below sets out the mean average cost per meal and spend on goods and services at a kitchen level.

Table 2.4: School Level Data on Spend on Goods and Services per Meal 2010-11

	Average Cost per Meal	Spend on Goods and Services per Meal	% Spend on Goods and Services
BELB	2.58	1.11	43.1%
NEELB	2.68	1.03	38.5%
SEELB	2.50	0.97	38.8%
SELB	2.61	1.11	42.4%
WELB	2.78	1.15	41.4%
All	2.64	1.08	40.9%

2.32 There is a clear link between spend on Goods & Services and average cost per meal with the rank order of ELBs based on spend on Goods & Services broadly following that of average cost per meal. At the kitchen level, Figure 2.13 below illustrates that the scale of production does not play a particularly strong role in the level of spending on Goods & Services per meal.

Figure 2.13: Spend on Goods and Services per Meal by Total Meals Served 2010-11



2.33 However, Figure 2.13 does show a wide variation in spending on Goods & Services per meal within certain output ranges that is not explained by scale. In particular, spend per meal on Goods & Services is significantly higher in some schools than in others. For example, spend per meal ranges from £0.51 to £3.07 across schools serving 75 to 149 meals per day.

2.34 If spend on goods and services across all kitchens in 2010-11 was at least the mean for all ELBs then the total spend on goods and services would have been £2.5 million or 10.3% lower.

Staff Costs, Complements and Productivity

2.35 In 2010-11 frontline staff costs in the provision of School Meals amounted to £36.3 million, representing an increase of 9.6% over the past four years. Table 2.5 below also shows that the rate of growth of staff costs in SELB was 75% greater than in SEELB. SEELB's strong performance in controlling frontline staff costs appears to be a contributing factor to its relatively slow growth in overall costs, as noted in Paragraph 2.7 above.

Table 2.5: Change in Frontline Staff Costs 2006-07 to 2010-11 (£k)⁷⁸

BOARD	2006-07	2010-11	% Change
BELB	4,486.7	4,904.8	9.3%
NEELB	7,252.3	7,956.7	9.7%
SEELB	4,837.4	5,172.8	6.9%
SELB	8,529.8	9,565.6	12.1%
WELB	7,977.2	8,653.8	8.5%
All	33,083.3	36,253.7	9.6%

2.36 As set out in Table 2.6 below, in 2010-11 the overall frontline staff complements in ELBs ranged from 310 Full-time Equivalents (FTEs) in SEELB to 561 in SELB. Taking account of meals served, WELB appears to have the highest levels of staff productivity while NEELB has the lowest with 12.2% fewer meals served per FTE. This is somewhat surprising given the higher overall unit costs in WELB. However, the average cost per staff member is almost a quarter higher in WELB than BELB and 11.0% higher than the NI average.

Table 2.6: Frontline Staff Complements and Costs 2010-11

BOARD	Complements (FTEs)	Meals per FTE	Staff Costs per FTE	Staff Costs per Meal (£) ⁹
BELB	320	10,635	15,318	1.47
NEELB	462	9,832	17,222	1.64
SEELB	310	10,781	16,713	1.53
SELB	561	10,722	17,051	1.50
WELB	453	11,195	19,103	1.63
All	2,106	10,624	17,217	1.56

2.37 As a result, WELB has the second highest staff cost per meal after NEELB whilst BELB has the lowest staff cost per meal. The higher average cost per staff member in WELB may be the result of a different grade mix or different wage rates across ELBs.

2.38 The higher costs in WELB may also be explained by differences in the labour market between the East and West of NI with WELB potentially finding it easier to retain staff and thus having more staff at the higher end of their respective pay scales than the Eastern ELBs. However, this does not appear to be consistent with general labour market conditions with wage pressures generally greater in urban than rural areas.

2.39 Overall, it is apparent that the higher levels of productivity in WELB are not sufficient to outweigh the average cost per staff member. In addition, there appears to be room for improvement in the number of meals served per staff member in NEELB.

⁷ Frontline staff costs do not include funding for nutritional standards.

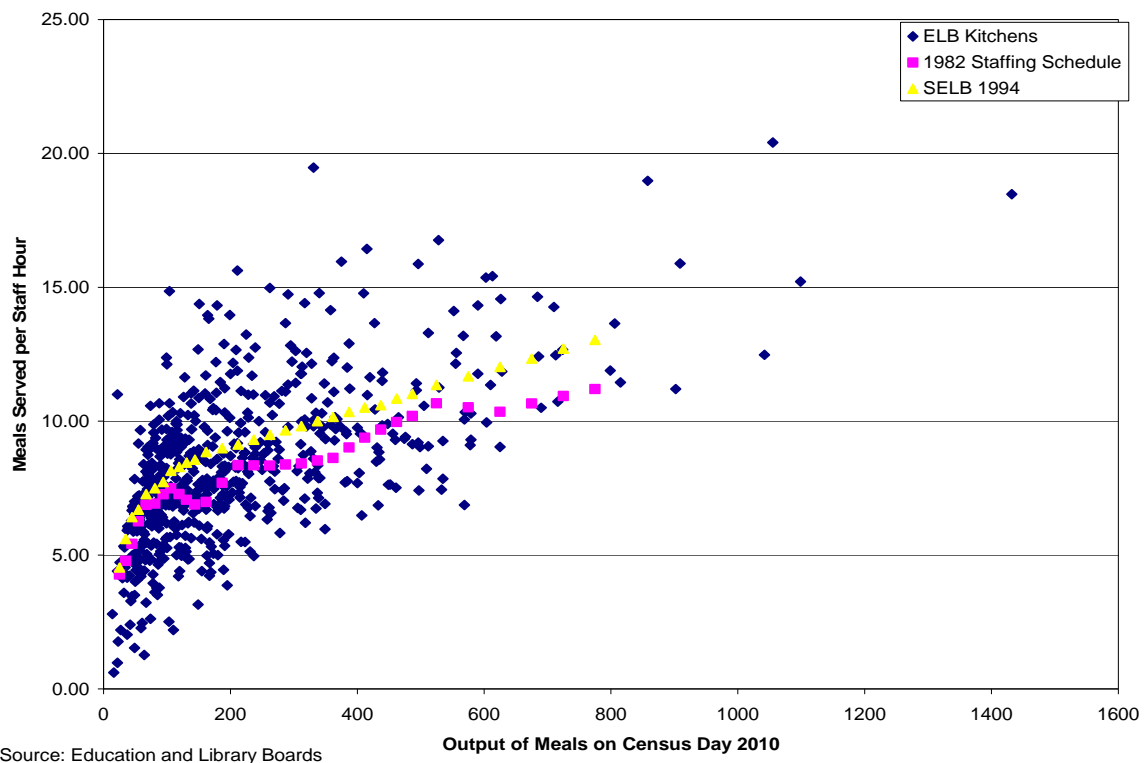
⁸ Figures in Table 2.5 relate to spend on staff provided by ELBs whilst the figures in Table D13 are calculated differently, as the residual of total spend minus spend on goods & services.

⁹ Staff costs per meal are calculated on the basis of the residual from average cost per meal less spend on goods and services per meal.

Recommendation 2.2: the Department of Education to investigate the extent of variation in cost per staff member across the five ELBs and issue guidance to ELBs to ensure a consistent approach.

2.40 Figure 2.14 below shows that staff productivity typically increases with the scale of production with diminishing returns to scale. However, as was the case with the average cost per meal, there is significant variation within the same range of production. For example, for production levels of 200 to 250 meals per day, productivity ranges from 4.96 to 15.63 meals per staff hour.

Figure 2.14: Meals Served per Staff Hour Census Day 2010¹⁰



2.41 Figure 2.5 also illustrates the level of productivity implied by the 1982 Staffing Schedule and the revised schedule used by SELB since 1994¹¹. At all levels of production a higher level of productivity is set by the SELB staffing schedule compared to the 1982 schedule. Comparing actual productivity to the levels implied by the staffing schedules shows that in around 42.2% of kitchens, staff productivity is below the levels implied by the 1982 Staffing schedule. This would suggest that the staffing schedules are out of kilter with typical productivity levels and should be reviewed.

2.42 In addition, comparing the levels of productivity implied by the 1982 Staffing Schedule with those observed in local authorities in England, Scotland and Wales provides further evidence that the staffing schedules are out of step with

¹⁰ The view was expressed that productivity calculations should include the meals served in dining centres but not the staff hours. However, in the interests of consistency, productivity has been calculated on the basis of meals served and staff hours in both kitchens and dining centres.

¹¹ SELB has supplied data on the productivity levels implied by the Staffing Schedules.

the level of productivity achievable in kitchens. Table 2.7 below suggests that there should be scope to improve productivity beyond the levels implied by current staffing schedules.

Table 2.7: Comparison of Productivity Levels (Meals Served per Staff Hour)

	APSE 2010-11	1982 Staffing Schedule	Mean In ELBs 2010-11
< 50 meals per day	8.39	4.27 to 5.42	3.91
50 - 100 meals per day	8.43	6.26 to 7.27	6.20

Source: Association for Public Service Excellence (APSE)

2.43 Furthermore, given that the operating environment has changed somewhat since 1982 and 1994, ELBs should review, update and agree a revised Staffing Schedule which is easily understood and has as an objective, the delivery of increased productivity on currently observed levels.

2.44 There is also a need to ensure staffing schedules are adhered to. If all kitchens had achieved at least the level of productivity implied by the 1982 Staffing Schedule in 2010-11, 204 less frontline FTEs would have been required which equates to a saving in staff costs of £3.5 million.

Recommendation 1.1: Education & Library Boards should update and implement a revised Staffing Schedule which is easily understood and reflects best practice standards of efficiency. The Staffing Schedule should be regarded as a living document and should be updated as required to take account of changing practices which impact on productivity.

Recommendation 1.2: Education & Library Boards should compare staffing levels within individual schools against the staffing schedule on at least an annual basis and provide assurance to DE that staffing levels are in accordance with the staffing schedule. ELBs should also investigate the reasons why the productivity in some kitchens is below the level implied by the appropriate staffing schedules and take remedial action, as appropriate. There is potential to save around £3.5 million in staff costs if all kitchens in all ELBs adhered to the 1982 Staffing Schedule.

2.45 In the context of the potential gains from improving productivity standards to best practice levels and the need for such standards to be applied across all schools this is an area that should be explicitly targeted and monitored by the Department.

Recommendation 1.3: the Department of Education should set targets in Resource Allocation Plans for ELBs to improve staff productivity and monitor progress on a regular basis.

Administration of the School Meals Service

2.46 The co-ordination and management of the school meals service is the responsibility of catering teams within each ELB. Table 2.8 below sets out the

staff costs associated with administering the school meals service as well as the number of staff employed for this purpose.

2.47 Across all ELBs, 4.9% of staff costs relate to non-frontline staff who now account for a greater proportion of the staffing budget than in 2006-07 with a larger increase in non-frontline staff costs (+12.0%) reported than frontline staff costs (+9.6%). Non-frontline staff costs range from 3.7% of the total in SEELB to 5.3% in BELB and WELB. SEELB has managed to constrain rises in non-frontline staff costs more effectively than the other ELBs with an increase of 1.2% over the period from 2006-07 to 2010-11 compared to a 16.8% increase in BELB and a 17.4% increase in WELB. If all ELBs had matched SEELBs performance in terms of change in non-frontline staff costs between 2006-07 and 2010-11, non-frontline staff costs would have been £0.2 million or 9.6% lower in 2010-11.

Table 2.8: Non-Frontline Staff Costs and Complements¹²

BOARD	Non-Frontline Staff Costs (£k)	Non-Frontline Staff Costs as % of Total Staff Costs	Non-Frontline FTEs	Increase in Non-Frontline Staff Costs (06-07 to 10-11)	Non-Frontline Staff Unit Cost £2010-11
BELB	273.0	5.3%	12.0	16.8%	22,752
NEELB	406.6	4.9%	14.4	6.4%	28,256
SEELB	197.2	3.7%	6.0	1.2%	32,868
SELB	508.0	5.0%	15.0	14.0%	33,869
WELB	480.5	5.3%	15.4	17.4%	31,200
All	1,865.3	4.9%	62.8	12.0%	29,708

Source: ELBS

2.48 Non-frontline staff unit costs in BELB are significantly lower than in the other ELBs suggesting a different profile of non-frontline staff than in the other ELBs with a higher proportion of lower grade staff.

Recommendation 2.3: all Education and Library Boards should set a target of reducing non-frontline staff costs as a percentage of total staff costs.

Cost of '30p' adult meal

2.49 The Stage 1 Report estimated that the cost of providing '30p' adult meals to kitchen staff and midday supervisors in terms of revenue forgone was around £4.6million. However, it also recognised that demand for such meals would fall if the price was raised from 30p to the full adult charge. The marginal cost of providing free adult meals would yield a more accurate estimate of revenue forgone. The Stage 1 Report estimated the net marginal cost of providing a '30p' meal at £350,000 to £1.2million based on 20% and 40% estimates of variable costs.

2.50 The current arrangements regarding the provision of meals to catering staff were agreed between management side and TUS in July 2009 with provision

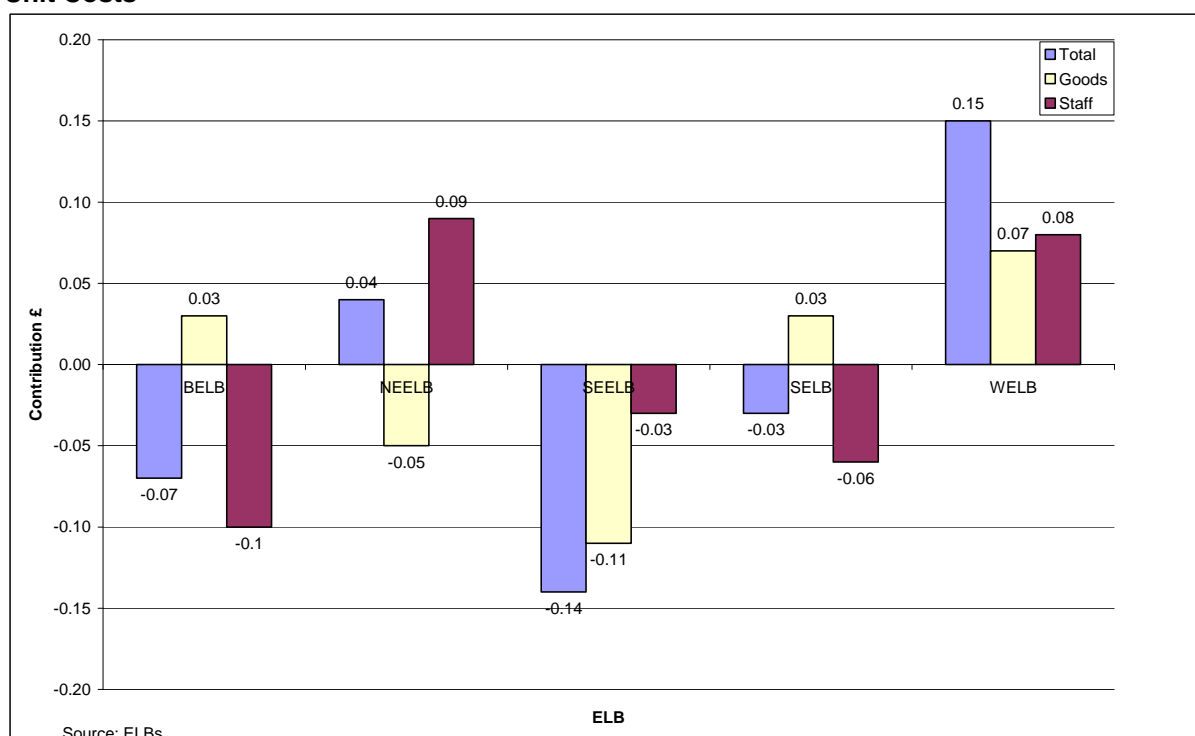
¹² Non-Frontline Staff costs for BELB includes 3 FTE associated with free meals and milk admin.

for either side to initiate a review of the agreement after two years (July 2011). In line with this agreement, it would be timely for DE to initiate a review of the arrangements with the aim of agreeing periodic price increases.

Conclusion

2.51 This chapter has shown that there are significant differences in the costs of providing School Meals both across kitchens and ELBs. There is also wide variation in the extent to which ELBs have managed inflationary pressures over the past 5 years with SEELB achieving a slight reduction in the average cost per meal compared to increases well above inflation recorded in SELB and WELB.

Figure 2.15: Contribution of Goods & Services and Staff to the Overall Difference in Unit Costs



2.52 The key cost components in the provision of school meals are Staff costs and spend on Goods & Services. As illustrated in Figure 2.15, SEELB has lower than average unit costs in respect of both Staff and Goods & Services whilst WELB has above average costs in both these elements. BELB and SELB have higher than average unit costs for the procurement of Goods & Services offset by lower Staff costs whilst the opposite holds true for NEELB. In respect of staff costs WELB's poor performance is due to higher average costs per member of staff compared to the other ELBs whilst NEELB has significantly lower levels of meals served per staff member. Both of these deviations from the average should be examined further. In addition, overall levels of productivity appear to be significantly below that implied by the local guidance as well as performance in the rest of the UK.

2.53 Kitchen level information on cost and output indicates that scale of production is an important factor impacting on unit costs. In particular, the data shows a

significant additional cost premium attached to kitchens serving less than 150 meals per day. An obvious way to expand output is to rationalise delivery from smaller Production Kitchens to a Central Kitchen.

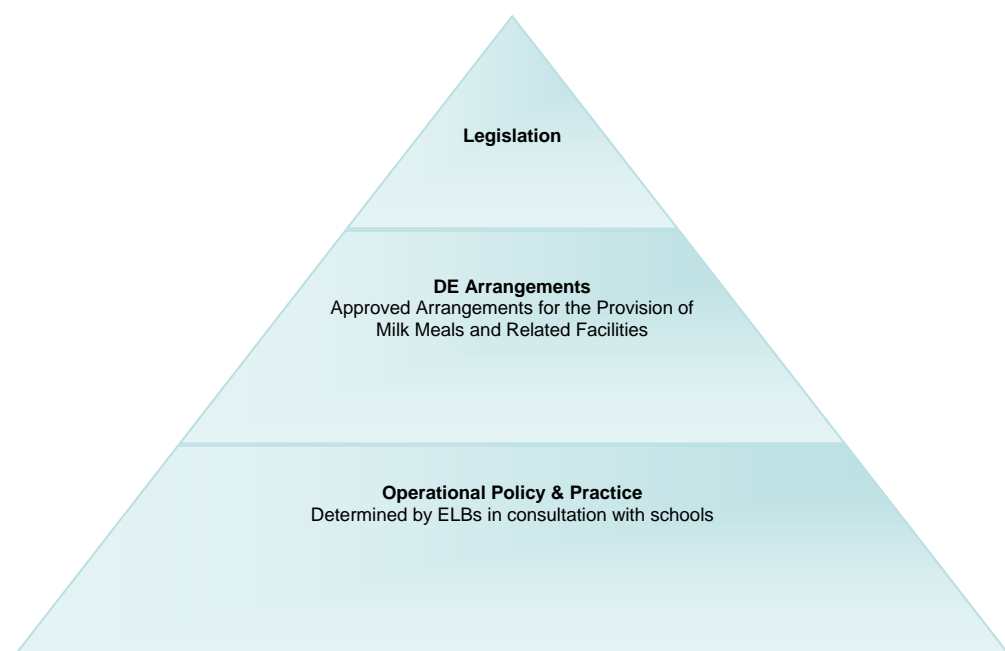
- 2.54 However, whilst the data suggests that some ELBs (NEELB and SELB) would benefit from consolidating services in a smaller number of larger facilities, it is also evident that other ELBs (BELB and WELB) have not achieved the full amount of savings that would be expected from increasing the average size of facilities and moving from Production Kitchens to Central Kitchens.
- 2.55 While there is evidence of scale economies, there is also wide variation in the average cost per meal, staff productivity and spend on goods and services at similar scales of production which warrants further investigation.

CHAPTER 3: APPROACHES TO PROVIDING THE CATERING SERVICE IN THE EDUCATION AND LIBRARY BOARDS

Background

- 3.1 This chapter examines the different approaches across the Education and Library Boards (ELBs) to delivering Catering services in schools. The focus is on ELBs, who are responsible for providing school meals in grant aided nursery, primary, special and post-primary schools. Different arrangements apply in respect of Voluntary Grammar Schools (VGS) and Grant Maintained Integrated Schools (GMIS).
- 3.2 There is a three-tiered hierarchy governing the provision of catering services in ELBs, as set out in Figure 3.1 below.

Figure 3.1: Hierarchy Governing the Provision of the School Meals Service



- 3.3 The requirement to provide meals in schools was first established under Section 43 of the Education Act (Northern Ireland) 1947. The latest legislative requirements are set out in Articles 58 and 59 of the Education and Libraries (NI) Order 1986 (see Annex C). Specifically, the legislation requires ELBs, in accordance with the arrangements approved by the Department of Education (DE), to *'provide milk, meals or other refreshment for pupils of such description as the department may determine in attendance at grant aided schools, other than voluntary grammar schools and grant maintained integrated schools'*¹³. The interesting point here is the flexibility afforded to the Department in promulgating the legislation.

¹³ <http://www.legislation.gov.uk/nisi/1986/594/article/58>

- 3.4 DE is responsible for formulating and developing policy as well as putting in place the necessary financial arrangements. These are set out by the Department in the *Approved Arrangements for the Provision of Milk Meals and Related Facilities*¹⁴. The DE arrangements require ELBs to provide healthy, nutritionally balanced school dinners, on every school day, for:
- pupils in nursery, primary and special schools who wish to avail of the service, and
 - day pupils in post primary schools who are entitled to free school meals with discretion to provide meals for other pupils and adults.
- 3.5 Essentially, the arrangements require ELBs to provide a nutritionally balanced meal suitable as the main meal of the day for day pupils who are entitled to free school meals. In addition the legislation, allows ELBs to assist VGS and GMIS in providing the school meals service.
- 3.6 Each ELB is then responsible for the day to day operation of the school meals service in their area and sets operational policy and practices in accordance with the DE Arrangements. For example, ELBs take operational decisions on the range of services provided, the mode of provision and delivery, staffing levels as well as the set menus for schools and kitchens.

Delivery of Catering Services

- 3.7 Within the confines of the arrangements set out by DE, there is scope for variation in the approach each ELB adopts in respect of service delivery. In addition, the scale of operation varies within and across Boards with a level of flexibility required to ensure that the most suitable approach is adopted to meet local needs.
- 3.8 Key areas where significant variations in approach between ELBs were observed as part of this Review include:
- level of service (kitchen, dining centre, sandwich lunch, no service);
 - level of funding;
 - type of provision (traditional meal or cash cafeteria);
 - discretionary services (Break service, Breakfast Clubs etc);
 - procurement;
 - staffing; and
 - actions to increase uptake and income.
- 3.9 The approach adopted by individual ELBs and the extent to which they exercise discretion in each of these areas is discussed further below.

Level of Service

- 3.10 The arrangements specified by DE provide scope for ELBs to vary the level of service provided in individual schools including an exemption from the

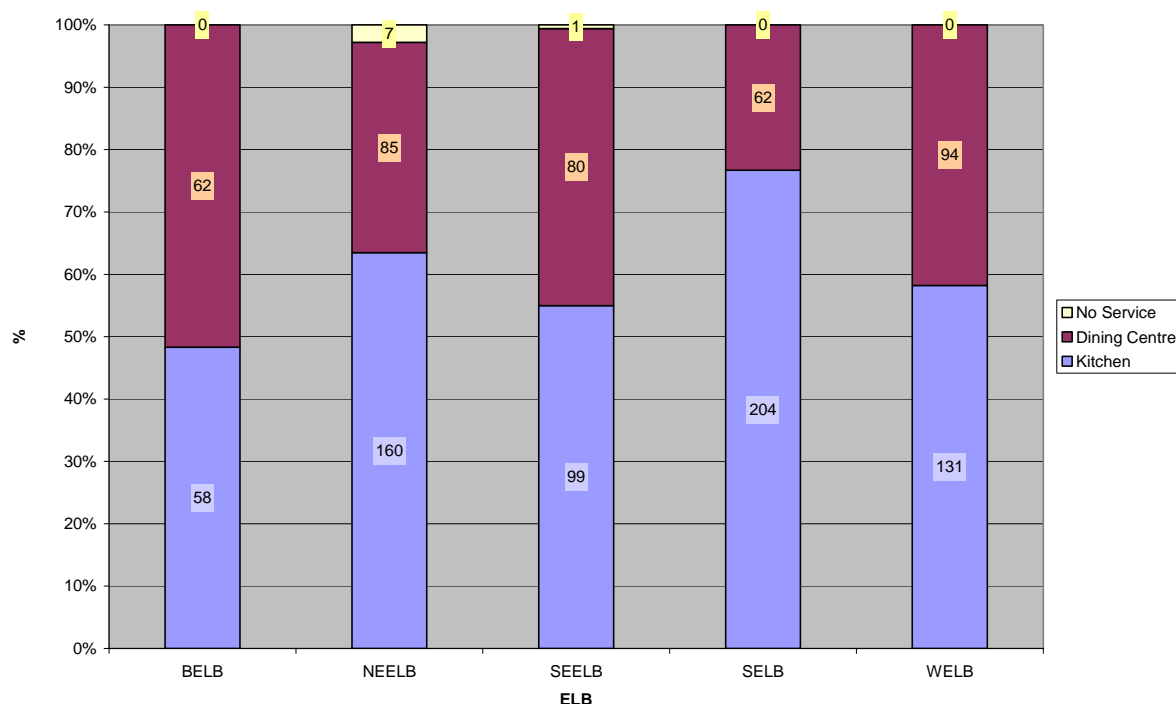
¹⁴ http://www.deni.gov.uk/elb_milk_and_meals_arrangements_-_march_2011.pdf

mandatory duty¹⁵ where the average daily number of pupils wishing to avail of the provision is such that a Board considers that the cost of producing or transporting meals cannot be justified.

3.11 In practice, ELBs rarely use the exemption but instead operate a sliding scale of provision to cater for different levels of demand. The level of service ranges from a kitchen with meals cooked on site (i.e. Production Kitchen), to a dining centre with meals prepared at another location when the daily uptake falls to a level where a kitchen is assessed by the ELB as no longer economically viable (i.e. Central Kitchen).

3.12 As set out in Figure 3.2, the extent to which schools operate along this scale varies across ELBs. For example, kitchens are provided in 76.7% of schools in SELB compared with 48.3% in BELB. The analysis set out in Chapter 2 showed that this appears to be a factor in explaining the unit cost differentials between ELBs with the two Boards with the greatest utilisation of dining centres (BELB and SEELB) also having lower costs. In addition, the NEELB and SEELB are the only ELBs not to provide a school meals service in some schools – no service is provided in 2.8% of schools in NEELB and 0.6% of schools in SEELB.

Figure 3.2: Level of Service by Board – October 2010¹⁶



3.13 The differences highlighted in Figure 3.2 reflects the fact that the trigger points which prompt an assessment of the economic viability of a kitchen varies across ELBs. Table 3.1 below sets out the approaches adopted to reviewing the

¹⁵ Paragraph 7 of the DE Arrangements states that: 'a board shall not be under a duty as stipulated in paragraphs 4.1. and 5.1. to provide dinners/meals in schools where the average daily number of pupils wishing to avail themselves of this provision is such that a board considers the cost of producing or transporting the dinners/meals cannot be justified'.

¹⁶ Figure 3.2 excludes all pre-primary schools.

viability of kitchens. As was shown in Chapter 2 increasing the number of meals served up to around 150 per day for Production Kitchens tends to lead to a reduction in unit costs, with further economies of scale beyond this scale of production in respect of Central Kitchens.

Table 3.1: Approaches to Assessing the Viability of Kitchens and Dining Centres

	Approach to Assessing Viability of Kitchens and Dining Centres
BELB	<p>A large scale exercise to rationalise the number of kitchens was conducted in the 1980s – 46% of meals are now delivered through Central Kitchens.</p> <p>At the end of each financial year, the Catering Manager reviews the full cost of operating all kitchens and, where there are concerns, can conduct a cost benefit analysis of converting to a dining centre.</p>
NEELB	In NEELB, viability is assessed on a case by case basis with costs in excess of the normal ranges acting as the trigger.
SEELB	SEELB review the viability of kitchens when the number of meals falls below 70 per day and dining centres serving less than 20 meals per day.
SELB	SELB review the viability of kitchens when the number of meals served falls below 75 per day and when the unit supervisor leaves or retires. A kitchen is automatically closed if it serves less than 20 meals per day for 1 year.
WELB	<p>A major review of the viability of kitchens serving less than 75 meals per day was conducted over five years ago. The current prompt for reviewing the viability of kitchens is natural wastage.</p> <p>There is no minimum threshold for the provision of a dining centre.</p>

- 3.14 NEELB determines the viability of kitchens on a case by case basis with costs beyond the normal range acting as the prompt. In contrast, SELB and WELB investigate the viability of kitchens serving less than 75 meals per day when key staff leave or retire. A more systematic approach is adopted in SEELB which reviews take up figures on an annual basis and investigates the viability of kitchens serving less than 70 meals per day.
- 3.15 The position in BELB is slightly different with the Board having previously undergone a large scale rationalisation of kitchens. As a result there is a perception in the Board that it has too few kitchens and the focus is therefore now on the minimum threshold for a kitchen. It was the view of the BELB Catering Manager that producing around 150 meals per day for a dining centre was manageable in terms of cost and quality but increasing provision beyond this point causes concern in respect of the ratio of kitchens to dining centres and the impact on the level of supervision that can be provided. However, the analysis set out in Chapter 2 suggests that additional unit cost savings are possible by increasing the scale of production beyond this point.
- 3.16 There are also different practices in relation to the provision of kitchens in new schools. The DE Schools Building Handbook suggests that an enrolment of up to 200 would be suitable for a dining centre provided there is a kitchen with

sufficient surplus capacity within a reasonable distance to supply the school. However, the threshold for a kitchen in a new school in WELB is 150 meals per day.

3.17 The approach to determining the viability of dining centres also varies significantly across the ELBs. While SEELB routinely investigates the viability of dining centres serving less than 20 meals per day, the policy in WELB is to always provide a dining centre as a minimum level of service. Furthermore, across all ELBs there appears to be minimal use of the option of providing sandwich lunches, related to the need to adhere to nutritional standards. Although the DE guidance indicates that lunch provided should be suitable as the meal for the day, the experience in England has shown that it is possible to meet nutritional standards with a sandwich based lunch.¹⁷

3.18 The approach to transporting school meals is a key factor determining the cost effectiveness of dining centres compared to kitchens. It is understood that operating practices in this respect vary across ELBs and the Association of Chief Administrative Officers (ACAOs) have commissioned the Central Management Support Unit (CMSU) to investigate this matter further.

3.19 The above issues suggest three recommendations:

Recommendation 1.4: Education & Library Boards should be directed by DE to review immediately the economic viability of kitchens and dining centres on an annual basis in respect of those which fall below a threshold (150 meals per day) with the presumption being that they should move to a more cost-effective form of provision. This should be followed by annual reviews on an ongoing basis with assurance being provided to DE that the arrangements in place represent the most cost effective form of provision

Recommendation 1.5: A common threshold of 150 meals per day for reviewing the viability of production kitchens should apply across all Boards.

Recommendation 1.6: Education and Library Boards should take forward the options to reduce cost as set out in the CMSU Review of the Transportation of School Meals.

Level of Funding

3.20 DE has a statutory obligation to provide funding to ELBs to cover the cost of providing a school meals service to those entitled to Free School Meals (FSM). In line with the arrangements for the provision of school meals, the Department funds FSM through the block grant and earmarked monies. In 2010-11, this

¹⁷ Food based standards are in place in Northern Ireland which set out the types of food that children and young people should be offered at school. The approach in England is slightly different with nutrient based standards in place which set out the proportion of nutrients that children should receive from a school lunch. In England the nutrient based standards are supported by a sub-set of food based standards.

amounted to £31.3 million core funding and £3.4 million in earmarked monies for nutritional standards.

- 3.21 Funding for school meals is only one part of the overall core budget allocated to ELBs in return for providing educational services, which is determined by DE and distributed to ELBs through the Assessment of Relative Needs Exercise (ARNE). The total level of funding provided for school meals through the ARNE formula is based on the previous year's expenditure with appropriate adjustments, for example relating to changing needs, and is split between ELBs on the basis of FSM entitlement.
- 3.22 However, while the ARNE formula implies an indicative level of funding for the service, ELBs have discretion on how they spend their overall budget allocation – although they must submit a Resource Allocation Plan (RAP) for approval by the Department. In practice some ELBs spend significantly more on the Catering service than the level implied by the ARNE formula, while others spend less, as set out in Table 3.2 below. This highlights the fact that any savings in respect of Catering can be used to provide additional funding for core services whilst excess spending reduces the amount of resources available for other areas.

Table 3.2: Comparison of Actual Spend against Funding Implied by ARNE Allocation, 2010-11

	Actual Spend (£m)	Funding Implied by ARNE (£m)	Actual Spend as % of ARNE	Spend per Pupil Entitled to FSM (£)
BELB	5.8	6.9	84.3%	431
NEELB	7.0	5.3	131.8%	726
SEELB	4.0	4.8	84.6%	448
SELB	7.3	6.7	109.0%	574
WELB	7.2	7.0	102.4%	559
ALL	31.3	30.6	102.1%	543

Source: Department of Education

- 3.23 In 2010-11 BELB spent 16% less on the school meals service than the level of funding implied by the ARNE formula, while NEELB spent 32% more. There are also significant variations in spending per pupil entitled to FSM across ELBs, with NEELB spending £295 more per entitled pupil than BELB.
- 3.24 The recent NIAO report on Promoting Good Nutrition through Healthy School Meals¹⁸, concluded that the cost of the school meals service is subsidised by the Department on the basis that the total average cost of producing a meal is greater than the price charged. The NIAO estimate the value of the subsidy at £2.7million across the ELBs in 2008-09. This conclusion is supported by the analysis above which shows that the combined Board spend on school meals is greater than the level of funding which the ARNE formula implies is required to deliver the service.

¹⁸ www.niauditoffice.gov.uk/pubs/.../8852_-_NIAO_School_Meals_WEB.pdf

3.25 The allocation mechanism rightly allows for discretion in prioritisation to reflect local needs. However, given the large variations in both FSM take-up vis-à-vis entitlement and in ELB spending on Catering vis-à-vis the ARNE allocation, it may be appropriate for the Department to consider placing a cap on the resources directed to catering spend based on the amount derived in the formula. This could have the benefit of bringing high-spend ELBs (relative to their ARNE-based allocation) into line with the average.

Type of Provision

3.26 There are two main types of provision delivered across the five ELBs:

- A traditional meal comprising a main course and dessert; and
- A cash cafeteria service where items are priced individually

3.27 In NEELB, SEELB, SELB and WELB a traditional meal service is provided in primary schools and a cash cafeteria system operates in post primary schools. In contrast, BELB provides a traditional meal in both primary schools and in post primary schools where a high proportion of pupils are entitled to FSM. BELB indicate that this approach is justified since unit costs are typically lower, the uptake of meals is good and children receive a better balanced meal than those in cash cafeterias.

3.28 Overall, the key factors driving the type of service provision are customer demand and the requirement to adhere to good nutritional standards. While the introduction of nutritional standards was generally welcomed, there is a perception amongst some ELBs that the guidelines restrict the scope to vary the type of service provided. Prior to the introduction of nutritional standards there was a greater mix of services with cash cafeterias, mini meals, snack bars and traditional meals available in primary schools. However, at present only traditional meals are offered in most primary schools due to the constraints of adhering to nutritional standards. The exception is in respect of the Preparatory Departments of Grammar Schools where pupils are provided with the same cash cafeteria service as in the main school. Although nutritional standards of school meals are an important element in the drive to improve dietary habits at a young age, it may be the case that it is being implemented in an overly rigid manner, restricting the scope for innovation.

Discretionary Services

3.29 Beyond the mandatory duty to provide lunchtime meals, ELBs have discretion to engage in additional income generating activities. The range of discretionary services currently provided include:

- Break Service;
- Extended Schools Service e.g. breakfast and afternoon clubs;
- Staff Catering e.g. staff canteens in ELB HQs and outreach-centres;
- Function Catering e.g. open nights, parent teacher associations; and
- External Catering e.g. meals on wheels, luncheon clubs.

- 3.30 The engagement in discretionary income generating activities varies within and across ELBs reflecting both local demand and the extent of any excess capacity. In addition to the services listed above, one ELB is investigating the potential to extend its income generating activities by providing lunchtime meals to schools in border regions of the Republic of Ireland.
- 3.31 The authority to engage in commercial activities is derived from Article 32 of the Education and Libraries (Northern Ireland) Order 1993 which empowers ELBs to undertake commercial activities subject to directions from the Department. The principal constraint imposed is that income must exceed total costs and ELBs should avoid activities which require additional staffing, investment or involve a risk of loss. In the current financial environment, whilst it is understandable that schools and ELBs should seek to maximise their income generation from other sources, it is essential that this does not detract from their core function.

Recommendation 2.4: Education and Library Boards should ensure that income generating activities do not detract from the core business and objectives of the Catering Service, on an ongoing basis.

Procurement

- 3.32 A five-ELB approach is in place for the procurement of most goods and services used to supply and support the overall service. Under this system a lead ELB takes responsibility for negotiating joint contracts. For example, SELB negotiates the frozen food contract, NEELB procures drinks and BELB takes responsibility for general groceries. In contrast, single ELB contracts are in place for the procurement of fruit and vegetables and milk.
- 3.33 The rationale for a five-ELB approach is to take advantage of their combined buying power to help ensure value for money. However, there is concern that individual ELBs may not have sufficient expertise to procure goods and services at best value, including on behalf of all ELBs, whilst the disparate approach to procurement makes it more difficult to develop capacity in this respect (although this view is not shared across all ELBs).

Recommendation 1.7: In advance of the establishment of any regional authority (such as the Education and Skills Authority) responsibility for the procurement of all (catering related) goods and services is combined in a single Education and Library Board staffed by individuals with suitable procurement skills.

- 3.34 In addition to increasing the level of co-ordination and collaboration between ELBs in respect of the procurement of goods and services, Education bodies should also examine the scope to make further savings by working with other parts of the public sector. For example, ELBs could seek out opportunities for efficiencies through collaborative arrangements with other areas of Government in terms of procurement of foodstuffs and catering consumables.

Recommendation 2.5: Education and Library Boards should examine the scope to make further savings by collaborating with other parts of the public sector in the procurement of goods and services.

Staffing

3.35 The Terms and Conditions under which catering staff are employed are generally consistent across the five ELBs, including common pay scales and grades. However, as highlighted in Chapter 2, the significant variations in average staff costs suggest differences in the grade mix between ELBs.

3.36 One particular feature of the Terms and Conditions for catering staff is that they receive a retainer of 50% of full wages for periods of school closure. In light of the current labour market conditions it is not clear that the use of a retainer is still required to ensure the supply of sufficient numbers of suitably qualified staff.

Recommendation 1.8: The Department of Education and Education & Library Boards should review the Terms and Conditions for catering staff to ensure a consistent and best value approach across ELBs including consideration of the removal of retainer fees over the summer period.

3.37 Another important aspect of note is that the Terms and Conditions allow Boards to temporarily move staff between schools which provides ELBs with flexibility to manage absences within existing staff complements. However, the wide variations in productivity noted in Chapter 2 suggest that staff are not transferred to where they are most needed to the fullest extent possible. Furthermore, staff are often employed on days when there are no, or a significantly reduced number of, pupils in school. Whilst this is sometimes necessary to facilitate stock-taking or cleaning activities, there would appear to be a need for greater flexibility in staffing complements depending on the time of the year. For example, the demand for school meals is lower in Secondary Schools towards the end of the academic year when exam classes leave.

Recommendation 1.9: In reviewing staff Terms and Conditions Education & Library Boards seek greater flexibility in staffing complements to reflect the reduced level of activity during certain periods of the year.

3.38 In terms of staff inputs, staffing levels are largely determined by the number of meals produced and the type of service provided. A five ELB Staffing Schedule was developed in 1982 which provides guidelines on maximum staffing levels based on the average daily output of meals.

3.39 While there is a large degree of commonality across the five ELBs on staffing, there are key differences around local practices and management structures. For example, the 1982 Staffing Schedule is followed to varying degrees by the ELBs. In the interviews with ELB representatives, one ELB indicated that it strictly adheres to the guidelines and revised the schedule in 1994 to take account of the introduction of prepared potatoes and vegetables and again in

2000 following the introduction of the convenience dessert.¹⁹ In contrast a more relaxed approach appears to operate in some of the other ELBs with one indicating that the staffing schedule is not widely understood.

- 3.40 In support of the frontline staff working within schools there are a number of staff in each ELB providing advice and ensuring that guidance is followed. However, as with the frontline side there are significant differences in approach which is reflected in administration costs. For example, in contrast to the others, the SEELB does not have a dedicated Catering Manager but rather, has included the role in the duties undertaken by the manager responsible for cleaning, ground maintenance, procurement and financial planning.
- 3.41 Indeed there appears to be a greater drive to streamline management structures within SEELB compared to the other ELBs. For example, SEELB has begun to integrate the role of the nutritional co-ordinator within existing management structures and is using the money available for voluntary severance to reduce the number of Area Managers. SEELB maintains that these efforts to rationalise management structures have not had an adverse impact on service delivery.

Recommendation 1.10: Other Education and Library Boards should adopt the approach taken by the South Eastern Education and Library Board in respect of the need for dedicated posts relating to the management and co-ordination of Catering services.

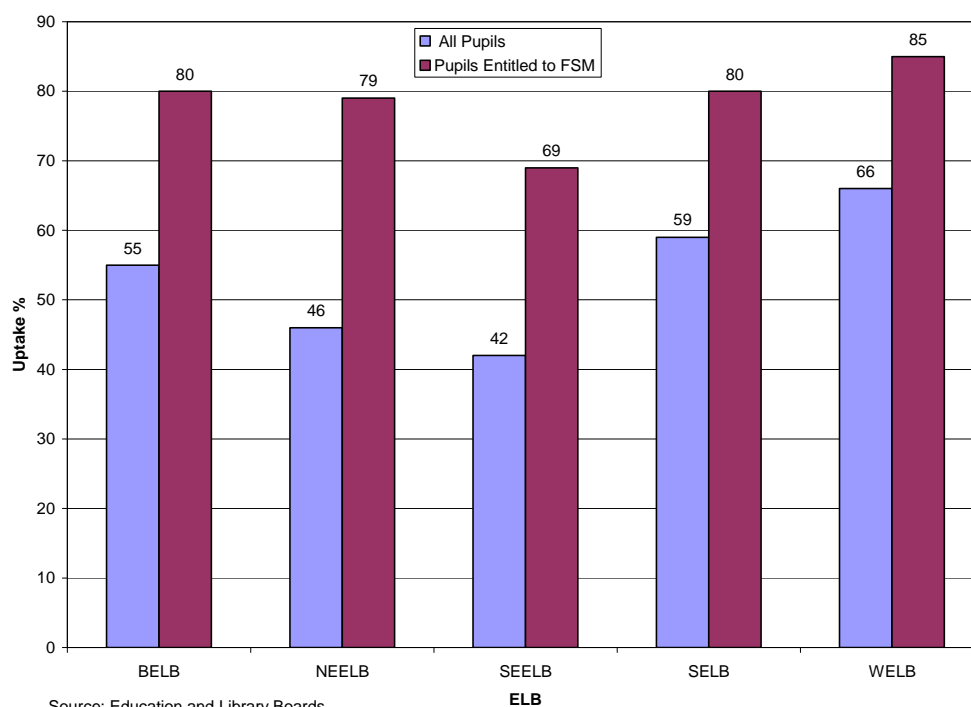
Increasing Uptake of School Meals

- 3.42 One of the most significant concerns regarding the achievement of savings is in terms of the potential impact on the uptake of the service. Whilst the demand from paying pupils would be expected to increase to the extent that a reduction in costs is reflected in lower prices there may also be a negative impact if savings are achieved by less popular meals being served.
- 3.43 This is in the context of the current focus across the 5 ELBs on increasing uptake of the school meals service which not only ensures that children with entitlement to FSM have a sufficiently nutritious diet but also, all other things equal, reduces the average cost per meal by spreading fixed costs across a larger number of meals. Figure 3.3 below, sets out the uptake of school meals in 2010 for all pupils and pupils entitled to free school meals.²⁰

¹⁹ It has been suggested that the main operational change in recent years has been the introduction of Nutritional Standards with some ELBs indicating that required staff hours have increased as a result.

²⁰ Source: Census of School Meals October 2010

Figure 3.3: Uptake of School Meals – October 2010



Source: *Census of School Meals 2010, DE*

3.44 Overall uptake of school meals varies from 42% in SEELB to 66% in WELB while amongst pupils entitled to FSM uptake ranges from 69% in SEELB to 85% in WELB.

3.45 The headline figures suggest that the relatively low take up rates reported for SEELB are not the result of its improved cost performance. In 2006-07, take up rates amongst pupils entitled to free school meals in SEELB were around 10 percentage points below the rate for all ELBs while unit costs were 13p above the average. However, while the relative cost competitiveness of SEELB improved with unit costs dropping to 23p below the average, the gap in take up for pupils entitled to FSM remained relatively unchanged at 10 percentage points.

3.46 DE has set the following targets in respect of the uptake of school meals:

- In 2011/12, maintain uptake of school meals at current levels or greater
- In 2011/12 increase uptake of FSM v entitlement by 1% in BELB, NEELB and WELB and by 2% in SEELB and SELB

3.47 DE has set SEELB and SELB more challenging uptake targets for pupils entitled to FSM because they failed to achieve the level of improvement targeted in 2010-11.

3.48 There is a strong emphasis on marketing the service across the ELBs with nutritional standards identified as a good marketing tool. However, the approach to achieving nutritional standards were also identified as an impediment to increasing uptake with other approaches used by ELBs including theme days

which link into the School Curriculum and working with Student Councils to obtain feedback on the range of meals provided to ensure supply matches demand.

Delivery of Savings

- 3.49 The Catering service is an area where DE intends to make savings over the period to 2014-15. The Department has set a target level of savings of £1 million per year in total across the five ELBs from 2012-13 onwards. Feedback from ELBs on the degree of challenge associated with these savings has been mixed with one considering the savings target to be extremely challenging whereas another regarded the target as manageable. However, in general, the savings target in respect of Catering services was viewed with less concern by the respective ELB representatives than the target for Home to School Transport.
- 3.50 The approach adopted by each ELB to the delivery of savings is summarised below. It was fairly evident from the interviews with ELB representatives that those most open to new ideas and different approaches had achieved the greatest levels of efficiency.

Belfast Education and Library Board

- 3.51 The headline figures suggest that BELB is one of the most efficient ELBs in respect of the average cost per meal. Its efforts to deliver savings have focused on reviewing the cost effectiveness of smaller kitchens, developing the skills base of supervisory staff and increasing income.
- 3.52 Traditionally, the focus of catering supervisors has been on food but BELB has sought to increase their financial awareness to ensure a stronger focus on controlling costs. BELB has invested in a 'Supervisory Development Programme' which also covers managing attendance and performance. In terms of increasing income, BELB has sought to improve the dining environment through a programme of kitchen and dining room refurbishments. In addition, it has increased the emphasis on marketing and has introduced initiatives such as sandwich bars and meal deals. BELB has also developed a Functions Brochure setting out the services offered in addition to lunchtime meals.
- 3.53 A range of further options were identified to not only deliver savings but also improve the efficiency and effectiveness of the service. These suggestions included a regionalisation of the service, an investigation of the potential savings resulting from a move to cook/chill or cook/freeze in some areas and an increased emphasis on benchmarking cost and productivity across ELBs and with Local Authorities in England, Scotland and Wales.
- 3.54 In terms of moving to a regional service, it was suggested that a central unit could be responsible for procurement, training design, marketing and customer satisfaction. The removal of ELB boundaries would also allow Area Manager

cover to be allocated more effectively. Furthermore, there may be savings potential from sharing resources with other services such as cleaning.

Recommendation 1.11: Catering administration and management function should be combined in a single Education and Library Board.

Recommendation 2.6: The Department of Education and Education & Library Boards should undertake a study of the feasibility and costs and benefits of moving to a cook/freeze approach to the delivery of school meals to Dining Centres.

North Eastern Education and Library Board

3.55 NEELB is mindful of the need to deliver savings and feels that it already has a strong emphasis on reducing costs. To this end, costs are analysed by the Catering Manager on an annual basis with investigations carried out on costs which are beyond normal ranges. NEELB recognises the need to train staff on how they can help deliver savings but highlighted the initial costs associated with this type of action. In terms of income generation, NEELB offers additional services such as breakfast clubs and break service in an effort to make kitchens and dining centres more cost effective. Ideas suggested to generate additional savings included a focus on improving efficiency in smaller schools and kitchens, investigating the scope to introduce cook/chill meals and procuring more energy efficient equipment.

South Eastern Education and Library Board

3.56 There is a strong focus within SEELB on reducing costs as reflected in its overall performance in recent years. In terms of reducing staff costs, SEELB is availing of the money set aside for voluntary severance having agreed the release of one Area Manager. Additional practices in place to minimise operational staff costs include carrying vacancies where possible when staff are on leave and making use of the flexibility to temporarily move staff from one site to another.

3.57 Food costs are analysed on a monthly basis with the reasons for high spend investigated. Other running costs such as energy, stationery and travel are also subject to regular scrutiny. There is a sense that SEELB has been pro-active in examining the scope to deliver savings at an operational level, advocating a more strategic approach going forward. In addition there is a perception that inefficiency is inherent in the current approach to delivery in NI with five separate units delivering what should be a single service. A regional approach would allow for the greater sharing of knowledge and resources across boards.

Southern Education and Library Board

3.58 Financial control is a core area of business for the Catering Manager in SELB. The Catering Management team meets on a monthly basis to discuss financial information and agree operational and strategic policies to implement efficiencies and market the service.

- 3.59 Labour costs are controlled by Area Managers through the strict implementation of the General Staffing Schedule. There is also a drive within SELB to minimise and control the use of temporary staff by managing vacancies internally and SELB seeks to maximise the use of staff hours with school closure days not necessarily equating to kitchen closure days. Responsibility for food, cleaning and disposable budgets rests with heads of kitchens with costs monitored by Area Managers.
- 3.60 As was the case in SEELB, there was a sense that costs were tightly controlled in SELB, whilst it was again suggested that there may be merit in restructuring management and administration on a regional or 5 ELB basis.
- 3.61 The SELB is the only Board to provide 'convenience desserts' in schools and maintains there is a cost saving over traditional desserts. The source of the saving is largely based on staff time with between 2.75 and 24.5 less labour hours required per kitchen per week depending on the scale of production.

Recommendation 1.12: Drawing on the experience of the SELB, all ELBs to consider whether increased use of convenience desserts offers scope for savings without impacting on nutritional standards.

Western Education and Library Board

- 3.62 WELB have indicated that it has higher unit costs for school meals because of higher contract prices for food and higher transport costs. Although this helps to explain the higher unit cost in WELB, it does not justify the position with scope for the ELB to take action in these areas in order to reduce the overall unit cost.
- 3.63 Efforts to deliver savings in the WELB focus on delivering more with the same level of resource by seeking out opportunities to increase take up and maximise income. Initiatives to generate additional income include providing training to schools in respect of Food Hygiene which has generated a profit of £2,000 to date in 2011-12 (up to 31 May 2011) and targeting border schools in the Republic of Ireland. In terms of reducing costs, its view is that it has exhausted all possible options in the context of the current operating environment. Cost information is scrutinised on a regular basis and WELB indicates that it reacts quickly to address any overspends. Going forward, WELB suggested that there might be scope for savings by providing a regional Catering Service.

Conclusion

- 3.64 Both DE and the five ELBs have significant flexibility in carrying out their statutory duties in respect of the provision of school meals. This is reflected in the variations in the models of delivery across the ELBs which in turn impacts on the differences in costs highlighted in Chapter 2. Whilst some of these differences may be justified on the basis of local circumstances, there are a number of areas where savings can be made by ensuring that best practice is adopted across all ELBs. In addition, it is not clear that the ELBs

would be capable of making the necessary changes on their own, under current governance structures, with the need for greater direction and control on the part of the Department. In addition, there was general support for the service to be managed on a regional basis which would facilitate a reduction in the current variations in practice and cost.

CHAPTER 4: ADDITIONAL OPTIONS TO DELIVER SAVINGS

Introduction

- 4.1 Chapter 3 considered the scope for making savings by identifying aspects of best practice in individual ELBs that could be rolled out across NI. However, it is important to broaden the analysis by considering the approach being adopted in other local education sectors as well as the rest of the UK. In addition, whilst the emphasis has been on the savings that can be made through changes in operational policy and practice, costs can also be reduced by strategic policy measures.

Approach in the Voluntary Grammar and Integrated Sectors

- 4.2 Although the majority of school meals are provided in the Controlled and Maintained sectors, there is also provision in the Voluntary Grammar School (VGS) and Grant Maintained Integrated (GMI) sectors where individual school Board of Governors (BoGs) are responsible for day-to-day provision. The majority of these schools use in-house catering services although some make use of ELB services. However, it is interesting to note that a significant number of the VGS schools in particular use private sector providers.
- 4.3 DE appears to operate a stricter approach to funding the school meals service in the VGS and GMI sectors with funding more closely aligned to actual uptake than in the controlled and maintained sectors. As set out in Chapter 3, ELBs receive a notional allocation for the provision of the school meals service in their block grant based largely on the previous year's spend as well as earmarked funding for nutritional standards.
- 4.4 In contrast, *BoGs of VGS and GMIS schools* receive a grant from DE in six instalments made up of an element for free school meals based on the price of a free meal in ELBs and an estimate of the number of free meals that will be provided to pupils and adults, as well as an additional allowance to assist with other expenditure such as the replacement of heavy equipment and administration costs and an allowance for nutritional standards.²¹ The six instalments are calculated from initial and revised estimates of meal numbers and income which schools submit to DE in October and March each year.

Recommendation 2.7: The Department of Education should examine the approach to providing the Catering service in other sectors (e.g. Voluntary Grammar Schools and Grant Maintained Integrated Schools) in order to see whether there are any lessons for Education and Library Boards.

²¹ The arrangements set out in paragraph 4.4 apply to VGS and GMIS schools where meals are produced on site. There are also some schools, mainly small GMI primary schools, where numbers mean that it is not economical to produce meals on site and so meals are transported in from central kitchens. In these schools, DE covers all the costs associated with the school meals service.

International Approach

Service Delivery

- 4.5 The *School Food Trust*, a national charity and advisor to the UK Government on school meals, conducted research in 2008 comparing the provision of school food in 18 countries²². The research found significant variations in service provision, from a limited service in the Republic of Ireland and Germany where only pre-packed sandwiches and soup are provided, to the UK, Sweden and Finland where a full service is generally provided.
- 4.6 In addition it found that the take up of school meals varied from 95% in Finland to 9% in Canada. Key factors driving the high take up rate in Finland included the banning of packed lunches and a focus on providing a quality dining environment. The dining area is often referred to as 'the restaurant' and is well furnished with long tables and real crockery. Catering providers also vary between countries. In Spain external companies tend to be contracted to provide the school meals service whereas in Italy school meals tend to be cooked in school kitchens using local produce.
- 4.7 Within the UK, the School Food Trust noted that catering is provided through a mix of in-house provision by local authorities, individual schools or private contractors. Local Authorities provided school meals in the majority of primary schools and just under half of secondary schools in England and to almost all schools in Scotland.
- 4.8 There is less of a mix in provision amongst ELBs within NI, with school meals largely provided in-house with the exception of a very small number of Pathfinder Schools where the service is delivered by private caterers. In this context, there may be merit in exploring alternative forms of service provision and undertaking market testing through a competitive costing exercise to ensure the most cost effective mix is provided.
- 4.9 This point is reinforced by a study commissioned by the Department for Business, Enterprise and Regulatory Reform (BERR) in July 2007²³, which found evidence of clear benefits in subjecting incumbent service providers to market testing. The study points to typical costs savings of 10-30% from competitive tendering with no adverse effect and sometimes an improvement in service delivery.

Recommendation 2.8: Department of Education should consider the merits of market testing the provision of the Catering Service through a competitive costing exercise.

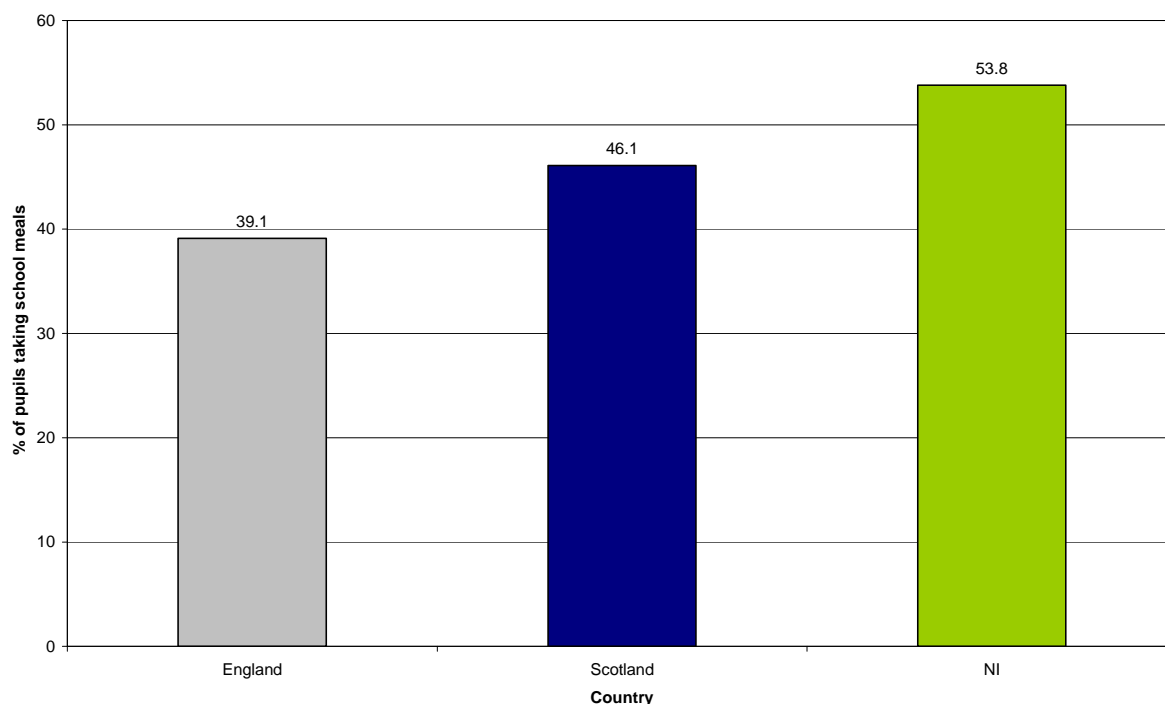
- 4.10 In England, Scotland and Wales meals are generally served as a canteen style lunch service with some schools offering additional services such as

²² www.schoolfoodtrust.org.uk/UploadDocs/.../school_food_in18countries.pdf

²³ <http://www.bis.gov.uk/policies/economics-statistics/economics/public-services-industry-review>

breakfast clubs. Figure 4.1 below shows that uptake of the school meals service is higher in NI than in England and Scotland. However, Northern Ireland also has a higher proportion of pupils entitled to free school meals (20.2%) compared to Scotland (17.8%) and England (16.0%) which may help explain part of the higher uptake.

Figure 4.1 Comparison of Uptake in England, Scotland and Northern Ireland



Source: DENI Statistical Press Release: School Meals in Northern Ireland 2010-11. (Most recently published data - NI refers to 2010/11 while England and Scotland refer to 2009/10).

Savings

4.11 In the context of a constrained public expenditure environment, providers of the Catering service throughout the UK face similar pressures to make the service more cost effective.

4.12 The *Association of Public Service Excellence* (APSE) has produced advice on actions which education catering providers can take to save money without damaging service quality. APSE's performance networks show that staffing accounts for 48.7% of council catering expenditure, which highlights the importance of achieving the highest levels of productivity. Actions which APSE recommend to boost productivity include:

- Save time through purchasing pre-sliced vegetables and management of best flow through the kitchen;
- Use lean and systems thinking to identify waste;
- Put in place a robust system to monitor and manage sick absence – APSE estimate that a 2% reduction can equate to a £10,000 saving per £1 million turnover; and
- Regularly monitor and benchmark productivity levels.

- 4.13 An APSE survey of catering providers conducted in May and June 2011 found that 58.9% of local authorities expected a decrease in their school catering budget over the year of which 11% expected the cuts to be substantial. As set out in Table 4.1, the actions which catering providers expect to take to deliver cost savings include reducing staff hours, management and portion sizes as well as revising the approach to charging for meals.

Table 4.1: Actions which Local Authority Catering Providers expect to take to deliver savings

Reduced hours	58.8%
Reductions in management	56.3%
Reductions in catering staff	52.1%
Reduction in Council subsidy	45.4%
Reduction of food on plate cost	37.8%
Renegotiation of meal charging methodology	31.9%
Reduced use of agency labour	17.6%
Taking over central support functions (e.g. payroll)	10.1%
None of these	8.4%
Increased use of agency labour	5.0%

Source: APSE

- 4.14 The Food Service Consultants Society International (FCSI) advocate labour efficient models to deliver significant savings in the school meals service and point to the approach used in Finland which includes a self help service, an automated self clear system, much reduced levels of choice and the active involvement of teachers to supervise the dining room.²⁴
- 4.15 In their Report, A Fresh Look at Efficient Kitchens and Dining Centres,²⁵ the School Food Trust also advocate a move to self service to reduce queue times which can have an adverse impact on take up. The School Food Trust also recommend improving the work flow to remove bottle necks which tend to build up around tills and are often caused by the positioning of key items such as the cutlery tray or drinks machines.
- 4.16 Table 4.2 sets out practical actions which some Local Authorities in England and Scotland are taking, or are considering taking, to achieve savings.

²⁴ <http://www.caterersearch.com/Articles/2010/04/16/333021/finland-can-teach-us-how-to-increase-school-meal-uptake.htm>

²⁵ www.schoolfoodtrust.org.uk/.../sft_fresh_look_efficient_kitchensdining_spaces.pdf

Table 4.2: Approach to Savings in a Selection of Local Authorities

Local Authority	Approach to Savings
Aberdeenshire Council	<p>The Council is looking at ways to save or generate money through reducing waste and ensuring consistency in service delivery. Proposals which the Council are considering include:</p> <ul style="list-style-type: none"> • No longer supplying fruit juice or milk as part of a primary school lunchtime meal. Estimated saving: £135k • No longer providing free fruit to primary schools. Estimated Saving: £106k per year. • Review staffing levels. Estimated saving £40k.
Bolton Metropolitan borough Council	<p>Bolton Council is seeking to promote the school meals service to increase take up and has introduced initiatives such as the £1 meal deal for all paying primary school pupils and are holding themed events both in schools and within the community.</p> <p>The Council also has a strong focus on tackling sick absences with focused counselling and absence surgeries producing a 27% reduction over the two years between April 2008 and March 2010. In addition, the Council is continuing to review and reduce posts with a £45k reduction sought over 2 years.</p>
Denbighshire County Council	<p>Actions which Denbighshire Council are taking to deliver the service more efficiently include:</p> <ul style="list-style-type: none"> • Promoting the school meals service e.g. schools are issued with a pack of monthly theme days, regular information leaflets to parents/guardians, press releases and attendance at public events; • Highlighting criteria for eligibility for free school meals in correspondence with parents; • Reviewing staff hours on a weekly basis and comparing these with production targets; • Rigorously policing sickness absence; and • Setting targets for staff in performance appraisals to increase meal numbers/reduce hours
Derby City Council	<p>Derby Council are considering alternative approaches to the provision of the school meals service:</p> <ul style="list-style-type: none"> • Outsourcing meals from a supplier and transporting them to a Council distribution hub where Council staff would hold and transport the meals to individual school kitchens where they would then be heated. • Outsourcing meals from supplier and transporting these to individuals school rather than a central kitchen. <p>The Council are confident that the pre-prepared meals will be fully compliant with nutritional standards.</p>
East Dunbartonshire	<p>In East Dunbartonshire Council, the focus is on increasing school meal uptake and reducing staff absence. Actions to increase uptake of meals include consulting with pupil councils on menus and increasing the anonymity of free meals customers by introducing cashless catering.</p> <p>The Council has also introduced deli bars serving made to order sandwiches, a hot snack counter serving hot bagels, wraps and hot pasta and pre-order lunch service.</p>
West Fife Council	<p>West Fife Council intends to switch 27 primary schools from production kitchen to dining centres.</p> <p>The Council also intends to remove the option to choose between hot meals – move from choice of two to only one hot meal.</p> <p>The Council has already amended the Terms and Conditions of Staff – staff are now employed on a 39 week contract as opposed to a 52 week contract.</p>
West Dunbartonshire Council	<p>The focus in West Dunbartonshire Council is on increasing uptake of school meals and reducing staff absence. The Council has created a brand name Café Cor for all secondary schools and have revamped dining areas. An electronic Grab & Go cashless system allows pupils a fast easy option.</p>

4.17 Actions being taken or under consideration include scaling back service provision, moving to pre-prepared meals, rationalising kitchens and employing staff on a 39 week contract instead of a 52 week contract. There is also a focus on reducing sick absence and staff hours as well as setting productivity targets for staff. In terms of increasing take up, actions that can be taken include promoting and branding the service, encouraging schools to adopt a Stay on Site Policy, reducing scope for pupils entitled to FSM to be identified and offering alternative lunch options that meet nutritional standards.

Recommendation 1.13: All ELBs to consider, on an ongoing basis, the actions being taken by Local Authorities in the rest of the UK to achieve savings in respect of their School Meals' budgets to see if there are any which could be implemented in their area.

Best Value Review

4.18 In December 2003 the ELB Central Management Support Unit (CMSU) produced a report detailing the findings from a Fundamental Service Review of the School Catering Service. This report included 54 recommendations across a range of areas including procurement, staffing levels, absenteeism, type of provision, method of supply and performance benchmarking. However, the extent to which each of the recommendations has been implemented is unclear. Whilst circumstances will have changed since then, with now an even greater emphasis on cost efficiency, there would be value in returning to the recommendations to review the extent of implementation at the current time.

Recommendation 2.9: the Department of Education to Review the findings from the CMSU Review of the School Catering Service to consider the extent to which the original recommendations were implemented as well as the scope to take forward the outstanding recommendations at the current time.

Staff Absence

4.19 The capacity to monitor and manage sick absence is an important factor impacting on the delivery of a cost effective school meals service. As highlighted by APSE, the management of sick absence is a key action which education catering providers can take to save money without damaging service quality. In addition, tackling sick absence is a major element of the savings programme of Local Authorities in England as set out in Table 4.2.

4.20 In addition, The CMSU Best Value Report highlighted an ongoing problem with absenteeism within the school catering service and the need for regular staff attendance reports and a consistent approach to managing attendance. However, there is little evidence that the CMSU recommendations to tackle sick absence have been implemented. In particular, as part of this Review we were informed that data on staff absence rates for catering staff was not readily available in the ELBs.

Recommendation 1.14: Education and Library Boards should put in place an enhanced system for controlling and monitoring absenteeism and provide the necessary levels of assurance to DE that absenteeism is being managed in accordance with each Board's Managing Attendance Policy.

Potential Changes to Strategic Policy to Deliver Savings

- 4.21 This Review focused on improving the operational efficiency of the provision of school meals within current policy parameters. Decisions on policy change are properly ones for Ministers to take and policy proposals have not therefore been made in this report. However, from the work undertaken and from feedback received from ELB officers, it is clear that policy change could contribute to reducing costs significantly.
- 4.22 In particular, a key lever which DE has to reduce the cost of the school meals service is to tighten the eligibility criteria for FSM. This approach was adopted in England in 2010 when the Education Secretary decided not to proceed with the previous administration's plans to expand eligibility for free school meals in light of the financial climate²⁶. The Department for Education (DfE) estimate that this policy change resulted in savings of £125 million in 2010-11.
- 4.23 The Scottish Government has also reviewed past commitments to extend entitlement to free school meals. Legislation was passed in November 2008 to enable Local Authorities to provide free school lunches to all Key Stage 1 pupils from August 2010. However, given the current economic climate, the Scottish Government and Local Authorities agreed that, in the first instance, the initiative would only be implemented in schools located in the most deprived communities in a Council area.
- 4.24 However, the expansion plans that did not go ahead in England were rolled out to nursery and Key Stage 1 pupils in NI in September 2010 with a further roll out to Key Stage 2 pupils in September 2011. In Scotland, pupils whose parents receive Working Tax Credit are eligible for free school meals but the maximum income for eligibility is significantly lower than in Northern Ireland under the extended arrangements.
- 4.25 In addition, children with special educational needs who are designated to require a special diet and boarders at special schools are also eligible for FSM in NI in contrast to the rest of the UK. In line with the income profile in NI and wider eligibility criteria for FSM, a higher proportion of pupils are entitled in NI than in the rest of the UK.
- 4.26 An additional policy option, where DE has an influence, is to increase the price charged to paying pupils and adults for school meals. In 2010-11, paying pupils were charged £2.20 for traditional meals in primary schools. Secondary school

²⁶ In June 2010, the Education Secretary announced that the Department for Education would not be extending free school meals to maintained nursery and Key Stage 1 pupils whose parents are on Working Tax Credit with Household Income up to £16,190 in September 2010, as previously announced in the Pre-Budget Report in December 2009.

pupils were charged £2.40, adults were charged £2.90 and school catering staff were charged 30p. Discussions with ELBs suggest that the demand for school meals is relatively price inelastic, i.e. marginally increasing price would increase total revenue as the percentage reduction in demand would be less than the rise in price.

- 4.27 This view is supported by research conducted by London Economics on behalf of the School Food Trust in September 2009.²⁷ Using take up data from the Annual Survey of Local Authorities, this analysis estimated that the demand for school meals at primary level is price inelastic. London Economics note that this result is in line with academic literature. The price mechanism would therefore appear to offer a fairly immediate route to at least marginally increasing revenue, and therefore reduce the net cost of the service. However, this would mean that paying pupils would be subsidising pupils entitled to FSM, which runs counter to the current policy.
- 4.28 A third policy option open to DE to facilitate the delivery of additional savings is to adopt a more flexible approach to the achievement of nutritional standards. In discussions with ELBs, this was identified as a constraint to the delivery of savings. While there was general support for the concept, concern was expressed that the implementation arrangements for the standards were perhaps too rigid. In particular, the view was expressed that nutritional standards restrict the scope to vary the service provided and have an adverse impact on demand.
- 4.29 Compulsory food based Nutritional Standards are in place throughout the UK and were introduced in NI in September 2005. Food and Nutrition based standards for school food are mandatory in all state schools in England. The Schools Health Promotion and Nutrition (Scotland) Act (2007) sets out the nutritional requirements for school meals in Scotland while the Appetite for Life Action Plan (2008) sets out the nutritional requirements for food and drink provision in Welsh schools.
- 4.30 While nutritional standards are in place for food served in schools throughout the UK, there are practical differences in both the standards and the approach to implementation. For example, the nutrient based standards in place in England allow school catering providers the flexibility to develop packed lunches which meet the standards.
- 4.31 In addition, a more light touch system of monitoring appears to operate in England compared to the rest of the UK. In England, schools submit a self evaluation form to OFSTED while standards are monitored by state inspectors and nutritionists in the rest of the UK. However, the approach to monitoring in Northern Ireland is being reconfigured as a result of the suppression of the Nutritional Associates posts within the Education and Training Inspectorate (ETI). In their recent report on Promoting Good Nutrition through Healthy School Meals (March 2011), the NIAO conclude that more needs to be done to enforce the standards with a number of weaknesses identified including a lack

²⁷ <http://www.schoolfoodtrust.org.uk/partners/reports/an-analysis-of-the-relationship-between-school-meal-take-up-and-prices>

of. This would suggest that there is a need to devise more robust and effective arrangements for monitoring compliance with nutritional standards.

- 4.32 In 2010-11, ELBs received a total of £3.4million in earmarked funding for nutritional standards. This funding is currently top sliced to cover the cost of nutritional co-ordinators with the remainder distributed to ELBs on the basis of school census data. During the course of the interviews ELBs expressed differing views on the continued need for the nutritional co-ordinator posts. In particular, one ELB questioned the continued need for the role with the Board having largely embedded the work of the co-ordinator within existing management structures.
- 4.33 The Nutritional Standards co-ordinator posts were created in 2005 following agreement between the Department and Catering Managers. Following a review of the role in 2009, it was agreed that there was a need for the Nutritional Standards co-ordinators for a further year with the option to extend to March 2011 when it would be reviewed again. The latest review concluded that there is a continuing need for nutritional standards co-ordinators but the emphasis and scope of the role had changed as a result of the progress that had been made.
- 4.34 With the duration of the Nutritional Standards co-ordinator posts being extended for the third time, there is an increasing risk that additional resources provided to meet a temporary need become a permanent requirement. Savings should be capable of being realised once, in the view of DE, the need for Nutritional Standards co-ordinators has concluded.
- 4.35 In respect of the overall funding for Nutritional Standards, this support was originally introduced in response to an allocation for this service in England with the additional funding to ELBs linked with specific activities. For example, in previous years £2.5 million was allocated per annum to ensure that a minimum amount was spent on food in each meal²⁸. Whilst there are potential issues in respect of displacement given that the majority of food costs are covered separately by core funding, there is a continuing need for this aspect of nutritional standards funding. The remaining nutritional standards funding was spent on training, marketing, additional frontline staff hours and equipment. Whilst, there may have been a need for initial investment on these aspects as nutritional standards was first introduced, it is less clear that these activities should continue to be funded to the same degree going forward with one option being to only ring-fence the food cost element.

Recommendation 1.15: The Department of Education should work with Education and Library Boards to embed the work of nutritional standards co-ordinators within existing management structures.

²⁸ 50p for Primary schools and 60p for Post-Primary schools.

Conclusions

- 4.36 This chapter has considered the approach being adopted in respect of the provision of school meals in other local education sectors as well as elsewhere. International research has shown significant variation in the provision of school meals from a limited service in some countries to a full service in others, and also large variations in the take-up of school meals, with NI experiencing the highest take-up rates in the UK. It also indicates that the mix of provision is less varied in the ELBs than elsewhere with, in particular, little or no private sector provision in NI.
- 4.37 In response to the more constrained financial environment, there is a strong focus on delivering a more cost effective school meals service throughout the UK. Local Authorities are considering a range of actions to save money without damaging service quality, such as saving time through purchasing pre-sliced vegetables and management of best flow through the kitchen as well as regularly monitoring and benchmarking productivity levels.
- 4.38 Therefore, there is scope for savings to be made through not only rolling out existing examples of best practice across the ELBs but also by examining the savings measures being taken forward in other administrations. In addition, there are number of changes that DE could make to strategic policy in order to facilitate the delivery of additional savings by ELBs. These include tightening the eligibility criteria for FSM, allowing increases to the price of pupil and adult meals and adopting a more flexible approach to nutritional standards.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

Introduction

- 5.1 As a result of the more constrained public expenditure environment facing the Northern Ireland (NI) Executive, the Department of Education (DE), in line with other local departments, will need to achieve significant financial savings during the course of the next four years. In order to protect the delivery of core educational services, the Ministers of Education and Finance & Personnel commissioned a Review of the Education sector with a focus on the operational services provided by Education & Library Boards (ELBs). It is worth stressing the point that maximising the amount of savings in these areas will mean that there are more resources available for the classroom.
- 5.2 Stage 1 of the Review benchmarked the performance of the five ELBs across a range of services, with significant variations observed in respect of unit costs as well as the change in costs over time. This informed the choice of the two areas to be considered in greater depth as part of the second stage of the Review with this Report presenting the main finding in respect of the Catering service.
- 5.3 In 2010-11 the gross cost of providing the Catering service across the five ELBs was almost £58.7 million, representing an increase of 12.5% on the 2006-07 level in a period when the overall number of meals served remained fairly static. The gross cost was partly offset by income from pupils and staff resulting in net spend of £29.0 million, equivalent to less than 2% of the total budget for Schools. The service provided over 22 million meals at an average cost of £2.64 per meal to 126,000 pupils, representing a take-up rate of 53.8%.
- 5.4 The main focus of this Report has been on building upon the analysis from Stage 1 as well as identifying best practice within the ELBs and elsewhere which could be applied across all ELBs to reduce costs. This is in the context that DE has set a target of £1 million per annum in savings to be achieved from the Catering service budget beginning in 2012-13 for the remaining three years of the Budget 2011-15 period, although this Review was not asked to identify a specific amount of savings.
- 5.5 At the outset it is important to recognise that the relatively short period of time available for the Review meant that it was not possible to investigate some of the issues arising, to the extent that the Review Team would have wished.
- 5.6 The most important source of evidence for this Report has been from the structured interviews conducted with those responsible for Catering services within each of the ELBs. The Review Team are grateful to all those whom we met with and were impressed with the positive and pro-active approach adopted by most of the individuals that were interviewed. In particular, a number of ELBs had already taken measures to constrain costs and are giving serious consideration to the further actions that could be taken to deliver additional savings.

Performance of ELBs

- 5.7 The Stage 1 Report identified significant and unexplained variations between ELBs in respect of the average cost per meal, the unit cost of direct materials and staffing levels. The updated analysis in Stage 2 has highlighted that BELB and SEELB have the lowest unit cost across the ELBs, depending on the source of the data. In addition, while all ELBs face similar inflationary pressures, cost increases have not been uniform with SEELB managing to reduce the average cost over the 5-year period. In contrast, WELB has the highest unit cost at £2.81 per meal as well as the greatest increase in costs over the period (23.5%).
- 5.8 One of the main reasons for the differences in costs between schools is the scale of production with evidence of economies of scale as the number of meals served per kitchen rises. Adjusting for differences in kitchen size, NEELB, SEELB and SELB have broadly similar unit costs with BELB having slightly higher costs. In contrast, WELB still has significantly higher unit costs. However, it is important to note that, even within the same scale of production, there were significant differences in cost levels between individual schools.
- 5.9 The two main costs of providing school meals are Staff and Goods & Services. NEELB has the highest staff cost per meal served followed by WELB where higher levels of productivity are outweighed by the Board also having highest level of average wages for catering staff. In addition, the level of staff productivity across all of the NI ELBs appears to be lower than in the rest of the UK. In respect of the level of expenditure on Goods & Services, SEELB had the lowest cost per meal served and WELB the highest. Overall, SEELB is the only ELB to have both lower than average unit costs in respect of both Staff and Goods & Services whilst WELB has above average costs for both. In contrast, above average performance in one area is offset by below average unit costs in the other for BELB, SELB and NEELB.
- 5.10 However, the most striking variation in approach between the ELBs relates to the mix of service delivery between on-site kitchens and dining centres. In particular, there appeared to be little commonality of approach in this area, exemplified by the different practices relating to reviews and views about minimum efficient scales for the alternative modes of delivery.

Options to Deliver Savings

- 5.11 The actions to deliver savings in respect of Catering services fall under a number of general themes as set out below:
- (a) **Departmental Actions:** tightening the eligibility criteria for free school meals, increasing the price of pupil and adult meals, adopting a more flexible approach to nutritional standards, and changing the way the Department sets targets for take-up and makes budgetary provision for school meals;
 - (b) **Type of Provision and Mode of Delivery:** reviewing and determining the appropriate models taking account of geography and economies of scale;

- (c) **Staffing:** increasing staff productivity to the levels of the best ELBs and dealing with unexplained variations in staffing levels; and
- (d) **Income Generation:** seeking to maximise income from other sources without distracting from the core objectives of the Catering service.

Departmental Actions

- 5.12 Discussions with the ELBs revealed a number of areas where some Departmental policies and approaches are seen as too rigid to allow for innovation and improved efficiency, whereas it is also evident that other Departmental policies and approaches may not be prescriptive enough.
- 5.13 In the former case, adherence to nutritional standards is seen as a significant constraint to implementing cost saving measures, particularly for primary schools. Notwithstanding the importance of ensuring the delivery of nutritious school meals, there may be scope for the Department to work with the ELBs with a view to identifying a wider range of approaches to meeting nutritional standards. In the latter case, the Department does not set specific thresholds or ranges for particular modes of delivery, or indeed the scale of activity below which there should be no provision, rather leaving it to each ELB to interpret guidelines around operational viability. The Department could be more proactive in this regard.
- 5.14 The eligibility criteria for entitlement to free school meals in Northern Ireland is more generous than elsewhere in the UK. In line with the approach adopted in England and Scotland, the Department could potentially focus eligibility on those most in need.

Mode of Provision and Delivery

- 5.15 School meals are mainly delivered through a number of different facilities, ranging from on-site kitchens in schools through to dining centres where meals are brought in from a central producing kitchen. In a very small number of cases there is no provision of a school meals service whilst there are a handful of schools which provide packed lunches only. In addition, the type of provision varies from a traditional (2 course) meal to a cash cafeteria, with the latter prevalent in the post-primary sector.
- 5.16 The various models have evolved apparently in an attempt to address local needs for school meals with an eye to cost-effectiveness. However, there are different approaches across the ELBs to the timing and nature of service reviews and scale thresholds in relation to choice of mode of delivery and type of provision. This is important because the prevalence of one type of delivery vis-à-vis others appears to be a factor in explaining unit cost differentials at a particular scale.

Income Generation

- 5.17 In 2010-11, paying pupils were charged £2.20 for traditional meals in primary schools. In addition secondary school pupils were charged £2.40 while adults

were charged £2.90. Discussions with ELBs and evidence from research undertaken by London Economics on behalf of the School Food Trust in 2009 suggest the price elasticity of demand in the current range is relatively inelastic, i.e. marginally increasing price would increase total revenue as the percentage reduction in demand would be less than the rise in price. The price mechanism would therefore appear to offer a fairly immediate route to at least marginally increasing revenue, and therefore reducing the net cost of the service. However, this would involve paying pupils subsidising pupils entitled to free school meals, which would require a change to current Departmental policy.

- 5.18 Other forms of income were also raised in discussions with the ELBs, such as providing catering to outside organisations and school meals to border-region schools in the Republic of Ireland. However, it was recognised that the core function of the Catering service should in no way be compromised through diversification into other markets in pursuit of additional revenue.

Approach Adopted Elsewhere

- 5.19 The Review also sought to identify actions from elsewhere which could be applied to the NI context. Internationally there is significant variation in service provision from a limited service in the Republic of Ireland and Germany to the UK, Sweden and Finland where a full service is generally provided.
- 5.20 Within the UK, school meals are provided through a mix of in-house provision by local authorities, individual schools or private contractors. There is less of a mix in provision amongst ELBs within NI, with school meals largely provided in-house. In contrast, a number of voluntary grammar schools in NI use private sector providers. In this context, there would be merit in exploring alternative forms of service provision to ensure the most cost effective mix is provided.
- 5.21 The Association of Public Service Excellence (APSE) has produced advice on actions which education catering providers can take to save money without damaging service quality. Suggested actions include reducing sick absence, increasing productivity and benchmarking performance. An APSE survey conducted in May and June 2011 revealed that education local authority catering providers expect to deliver savings by reducing staff hours, management levels and portion sizes as well as revising the approach to charging for meals. Actions being taken or under consideration by local authorities in GB include scaling back service provision, moving to pre-prepared meals, rationalising kitchens and employing staff on a 39 week contract instead of a 52 week contract. It is important that local ELBs consider the measures being taken forward in the rest of the UK, and internationally, on an ongoing basis to see whether any could be implemented in NI.

Recommendations

- 5.22 The previous chapters have set out a range of issues together with recommended actions, where appropriate to deliver savings which are summarised below. In the first instance, recommendations are set out which would be expected to reduce the cost of delivering the service in the short to

medium term. In addition, there were a number of issues that came to light during the course of the Review which have the potential to deliver further savings. However, the short period of time available for the Review meant that it was not possible to consider each of the issues in detail. Therefore, these recommendations are more tentative in nature, often requiring further analysis before specific actions to deliver savings can be specified.

Short Term Impact

Recommendation 1.1: Education & Library Boards should update and implement a revised Staffing Schedule which is easily understood and reflects best practice standards of efficiency. The Staffing Schedule should be regarded as a living document and should be updated as required to take account of changing practices which impact on productivity. (*Paras 2.41 to 2.44*)

Recommendation 1.2: Education & Library Boards should compare staffing levels within individual schools against the staffing schedule on at least an annual basis and provide assurance to DE that staffing levels are in accordance with the staffing schedule. ELBs should also investigate the reasons why the productivity in some kitchens is below the level implied by the appropriate staffing schedules and take remedial action, as appropriate. There is potential to save around £3.5 million in staff costs if all kitchens in all ELBs adhered to the 1982 Staffing Schedule. (*Para 2.41 to 2.44*)

Recommendation 1.3: the Department of Education should set targets in Resource Allocation Plans for Education & Library Boards to improve staff productivity and monitor progress on a regular basis. (*Para 2.45*)

Recommendation 1.4: Education & Library Boards should be directed by DE to review immediately the economic viability of kitchens and dining centres on an annual basis in respect of those which fall below a threshold (150 meals per day) with the presumption being that they should move to a more cost-effective form of provision. This should be followed by annual reviews on an ongoing basis with assurance being provided to DE that the arrangements in place represent the most cost effective form of provision (*Paras 3.12 to 3.19*)

Recommendation 1.5: a common threshold of 150 meals per day for reviewing the viability of Production Kitchens should apply across all Boards. (*Paras 3.12 to 3.19*)

Recommendation 1.6: Education & Library Boards should take forward the options to reduce costs as set out in the CMSU Review of the Transportation of School Meals. (*Para 3.18*)

Recommendation 1.7: In advance of the establishment of any regional authority (such as the Education and Skills Authority) responsibility for the procurement of all (catering related) goods and services should be combined in a single Education & Library Board staffed by individuals with suitable procurement skills. (*Paras 3.32 to 3.33*)

Recommendation 1.8: The Department of Education and Education & Library Boards should review the Terms and Conditions for catering staff to ensure a consistent and best value approach across ELBs, including consideration of the removal of retainer fees over the summer period. (*Para 3.36*)

Recommendation 1.9: In reviewing staff Terms and Conditions Education & Library Boards should seek greater flexibility in staffing complements to reflect the reduced level of activity during certain periods of the year. (*Para 3.37*)

Recommendation 1.10: Other Education & Library Boards should adopt the approach taken by the SEELB in respect of the need for dedicated posts relating to the management and co-ordination of Catering services. (*Para 3.41*)

Recommendation 1.11: Catering administration and management function should be combined in a single Education and Library Board. (*Para 3.54*)

Recommendation 1.12: Drawing on the experience of SELB, all Education & Library Boards to consider whether increased use of convenience desserts offers scope for savings without impacting on nutritional standards. (*Para 3.61*)

Recommendation 1.13: All Education & Library Boards to consider, on an ongoing basis, the actions being taken by Local Authorities in the rest of the UK to achieve savings in respect of their School Meals' budgets to see if there are any which could be implemented in their area. (*Para 4.17*)

Recommendation 1.14: Education & Library Boards should put in place an enhanced system for controlling and monitoring absenteeism and provide the necessary levels of assurance to DE that absenteeism is being managed in accordance with each Board's Managing Attendance Policy. (*Para 4.20*)

Recommendation 1.15: the Department of Education should work with Education & Library Boards to embed the work of nutritional standards co-ordinators within existing management structures. (*Paras 4.32 – 4.35*)

Long Term Impact

Recommendation 2.1: Education & Library Boards should investigate the reasons for the wide variation in total spend per meal at similar levels of production on a regular basis and identify and disseminate lessons learnt from kitchens achieving relatively low spends per meal with a view to reducing this variation. There is potential to save around £4.7million by reducing unit costs in kitchens with the highest costs to the average level and £7.5 million by reducing costs to the upper quartile level. (*Para 2.23*)

Recommendation 2.2: the Department of Education to investigate the extent of variation in average cost per staff member across the five Education & Library Boards and issue guidance to Boards to ensure that a consistent approach is adopted. (*Para 2.38*)

Recommendation 2.3: all Education & Library Boards should be set a target of reducing non-frontline staff costs as a percentage of total staff costs. (*Paras 2.46 to 2.48*)

Recommendation 2.4: Education & Library Boards should ensure that income generating activities do not detract from the core business and objectives of the Catering Service on an ongoing basis. (*Paras 3.29 to 3.31*)

Recommendation 2.5: Education and Library Boards should examine the scope to make further savings by collaborating with other parts of the public sector in the procurement of goods and services. (*Para 3.34*)

Recommendation 2.6: the Department of Education and Education & Library Boards should undertake a study of the feasibility and costs and benefits of moving to a cook/freeze approach to the delivery of school meals to Dining Centres. (*Para 3.53*)

Recommendation 2.7: the Department of Education should examine the approach to providing the Catering service in other sectors (e.g. Voluntary Grammar Schools and Grant Maintained Integrated Schools) in order to see whether there are any lessons for Education & Library Boards. (*Paras 4.2 to 4.4*)

Recommendation 2.8: the Department of Education should consider the merits of market testing the provision of the Catering Service through a competitive costing exercise. (*Paras 4.7 to 4.9*)

Recommendation 2.9: the Department of Education should review the findings from the CMSU Review of the School Catering Service to consider the extent to which the original recommendations were implemented as well as the scope to take forward the outstanding recommendations at the current time. (*Para 4.18*)

5.23 Although the focus of this report has been on Catering services there have been a number of issues raised during the course of the Review that have implications for the provision of ELB services more generally. In particular, there is an immediate need for the Department to adopt a more pro-active approach to the planning and delivery of services by ELBs to ensure that the most efficient and effective approach is adopted across all of NI.

Recommendation 3.1: In advance of the establishment of any regional authority (such as the Education and Skills Authority), the Department of Education should take a stronger and more proactive role in ensuring that best practice in cost effectiveness in the delivery of Educational services applies to all Boards. This should include providing clear guidance in respect of the delivery of services as well as ensuring that this is implemented.

Recommendation 3.2: The Department of Education should take action to ensure it reviews, promotes and challenges the implementation of best value in the provision of services across all ELBs until ESA is established and then by ESA.

Recommendation 3.3: Looking at best practice elsewhere, the Department of Education should develop a set of value for money Performance Indicators (including

unit costs for each major service to allow the monitoring of performance between Boards and with other jurisdictions). The performance in respect of each indicator should be reported to the Minister of Education and published on a regular basis.

Recommendation 3.4: The Department of Education should work with the Boards to ensure a consistent approach to the collection, collation and reporting of financial and non-financial management information.

TERMS OF REFERENCE FOR REVIEW OF EDUCATION SECTOR

Background

Following decisions of the UK Government the funding available to the Executive was reduced by £89.6m current and £38.2m capital for 2010-11. This resulted in a need, applied through June Monitoring, for a reduction of £64.2m in current expenditure applied on a pro rata basis across all 11 Departments. However, the Executive agreed that DHSSPS and DE be exempted from these reductions on the condition that *“the Ministers for Health and Education agree to DFP, on behalf of the Executive, commissioning PEDU to undertake work into the scope for, and delivery of, significant cost reductions across the two sectors”*.

Scope

The Efficiency Review will be a collaborative effort between DE and PEDU. It will be led by an Oversight Group who will guide the Project Team. It has been agreed by the Minister of Finance and Personnel and the Minister for Education that the Review will be short and sharply focused and that the Review Team will subsequently report to a joint meeting of the two Ministers.

A key issue for all Departments over the Budget 2010 period will be the need to secure significant efficiency improvements in order to ensure effective delivery of priority services against a backdrop of resource constraint. It is, however, acknowledged that there is obvious uncertainty around the future structures within the Education sector and, as a result, the focus should be on driving efficiencies and savings that can be implemented within the existing structures. The work will be taken forward in two stages.

Within the first stage of the Review the focus will be on the efficiency of education administration and support services. The aim will be to identify broad areas where there is evidence of additional efficiencies and savings potential.

The second stage of the review will take one (or a small number) of the areas of potential efficiency or savings and conclude on a range of potential recommended

actions that could be taken to deliver the identified efficiencies. DE will be responsible for implementing the agreed action plan.

In support of this objective the review will have full and timely access to all relevant documentation, data and personnel in support of its work. It will also invite expertise, evidence and analysis from others as required.

Output

At Stage One the report should identify of a range of areas where there is evidence of potential for additional efficiencies and savings. The Review Team will report its Stage One conclusions to the Oversight Group (see below). The Oversight Group will inform the Review Team of the selected area, or areas, which should be taken forward for more detailed examination

At Stage Two the Report will conclude on a range of potential recommended actions that could be taken to deliver the efficiencies in the area, or areas, subjected to more detailed examination.

The final recommendations of the Review will be brought to a joint meeting of the Minister for Education and the Minister of Finance and Personnel. The final report shall not be made publicly available by DFP. Decisions on publication or release of any report or Action Plan will rest with DE.

Membership

An Oversight Group will steer the work of the Review Team and it should include senior officials from DE and DFP. Officials within the Oversight Group will be responsible for reporting progress to their respective Ministers. In particular, following Stage One, the Oversight Group will be required to relay, to the Review Team, decisions on the selected area, or areas, to be taken forward for more detailed examination within Stage Two.

The Review Team will be comprised of staff from DE (and / or the wider education system) and staff from PEDU. The Review Team will be based in DE Headquarters in Rathgael House.

In support of the Efficiency Review DE will provide:

- A) Two senior members of staff (SCS) for the Oversight Group. With one also acting as the nominated central contact responsible for ensuring that the Review Team has adequate access to the required accommodation, data, information or personnel.
- B) Two staff to work within the Project Team on a day to day basis – ideally staff with knowledge / experience of the potential subject areas.
- C) Periodic analytical support and some administrative support.

In support of the Efficiency Review DFP & PEDU will provide:

- A) One senior member of staff (SCS) for the Oversight Group.
- B) A Review Team Leader.
- C) Analytical support.
- D) A further 2 to 3 staff, as required, to assist in the organisation and execution of the Review.

LIST OF INDIVIDUALS CONSULTED

Name	Organisation	Job Title/Area
Eve Stewart	DE	Participation and Parents Team
Jill Fitzgerald	DE	Participation and Parents Team
Sam Gunning	DE	Participation and Parents Team
Colleen Tonner	DE	Financial Allocations Monitoring & Control Team
Juile Plackitt	DE	Financial Allocations Monitoring & Control Team
Janet McAlister	BELB	Catering Manager
Robin Harper	NEELB	Chief Admin Officer
Hubert Taylor	NEELB	Chief Finance Officer
Anne Campbell	NEELB	Catering Manager
Gregory Butler	SELB	Chief Admin Officer
Doris Young	SELB	Catering Manager
Geoffrey Morrow	SEELB	Service Unit Manager
Rosemary Watterson	WELB	Chief Admin Officer
Pat Hughes	WELB	Chief Finance Officer
Stephanie Murphy	WELB	Head of Administration and Management
Noirin Gormley	WELB	Catering Manager
Tony Wilson	CMSU	Head of Unit
Cathy Lavery	CMSU	Best Value Officer

EDUCATION & LIBRARIES (NI) ORDER 1986

Provision of milk, meals and related facilities

Article 58

- (1) A board shall, in accordance with arrangements approved by the Department, provide —
- (a) milk, meals or other refreshment for pupils of such description as the Department may determine in attendance at grant-aided schools, other than voluntary grammar schools and grant maintained integrated schools²⁹;
 - (b) such facilities as the Department may determine for the consumption of any meals or other refreshment brought to the school by pupils.

Para. (2) repealed by 1997 NI 15

- (3) A board may, with the consent of the proprietor of any independent school in its area, and on such financial and other terms, if any, as may be agreed between the board and the proprietor of the school, make arrangements for securing the provision of milk, meals or other refreshment for pupils in attendance at the school but any such arrangements shall be such as to secure, so far as is practicable, that the expense incurred by a board in connection with the provision under the arrangements of any service or article shall not exceed the expense which would have been incurred by it in the provision thereof if the pupil had been a pupil at a grant-aided school.
- (4) A board may, in accordance with arrangements approved by the Department, provide milk, meals or other refreshment for persons (including pupils) of such description as the Department may determine not being pupils for whom the board is required to make provision under paragraph (1) or may make provision under paragraph³⁰ (3).
- (5) The trustees or Board of Governors of a voluntary grammar school and the Board of Governors of a grant - maintained integrated school¹ shall, in accordance with arrangements approved by the Department, provide—
- (a) milk, meals or other refreshment for pupils of such description as the Department may determine in attendance at the school;
 - (b) such facilities as the Department may determine for the consumption of any meals or other refreshment brought to the school by pupils.
- (6) The trustees or Board of Governors of a voluntary grammar school and the Board of Governors of a grant - maintained integrated school¹ may, in accordance with arrangements approved by the Department, provide milk, meals or other refreshment for persons (including pupils) of such description as the Department may determine, not being pupils for whom they are required to make provision under paragraph (5).

²⁹ 1989 NI 20

³⁰ 1997 NI 15

- (7) A board may assist the trustees or Board of Governors of a voluntary grammar school and the Board of Governors of a grant - maintained integrated school¹ in the carrying out of their functions under paragraphs (5) and (6).
- (8) Where a school¹ has a delegated budget under³¹ Part V of the 1989 Order and an allowance is made for expenditure on, or in connection with, the provision of milk, meals or other refreshment in determining the school's budget share under that Part—
 - (a) paragraph (1) shall not apply in relation to pupils in attendance at the school; but
 - (b) paragraphs (5), (6) and (7) and Article 59 (except paragraph (4)) shall apply to the school as those provisions apply to a voluntary grammar school

Provisions supplementary to Article 58 N.I.

Article 59

- (1) The approval of the Department to any arrangements under paragraph (1)³², (4), (5) or (6) of Article 58 may be granted subject to such conditions for securing the proper and efficient operation of those arrangements as the Department may determine.
- (2) A board³³, the trustees or Board of Governors of a voluntary grammar school and the Board of Governors of a grant - maintained integrated school shall in connection with the exercise of any functions under Article 58—
 - (a) make such charges, if any, or charges calculated on such basis; and
 - (b) remit the whole or part of such charges in such cases or such circumstances, as the Department may determine.
- (3) The Department may, in such circumstances as it thinks fit⁵ direct—
 - (a) that paragraph (1) of Article 58 shall not apply to a board;
 - (b) that paragraph (5) of Article 58 shall not apply to the trustees or Board of Governors of a voluntary grammar school or to the Board of Governors of a grant - maintained integrated school.
- (4) A board, the trustees or Board of Governors of a voluntary grammar school and the Board of Governors of a grant - maintained integrated school shall take such steps and provide such premises, equipment, materials and facilities (including transport) as are necessary in connection with the provision of milk, meals or other refreshment in accordance with Article 58.
- (5) The trustees and managers of every voluntary school, other than a voluntary grammar school shall afford a board all such reasonable facilities at the school, including the use of school buildings and equipment, as are necessary

³¹ prosp. subst. by 1998 NI 13

³² 1997 NI 15

³³ 1989 NI 20

for the proper and efficient operation of any arrangements approved under Article 58.

DATA TABLES

Table D1: Total Cost of Catering Service 2010-11 based on School Level Data

BOARD	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Total Cost (£000)	8,765	12,151	8,363	15,675	14,091	59,045
Meals (000)	3,403	4,542	3,342	6,015	5,072	22,375
Average Cost (£)	2.58	2.68	2.50	2.61	2.78	2.64

Source: Education & Library Boards

Table D2: Number of kitchens by Cost Band and ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
<2.00	3	12	10	8	6	39
2.00-2.64	30	57	45	77	31	240
2.65-3.29	19	61	25	81	51	237
3.30-3.99	4	22	7	30	26	89
4.00+	3	8	1	9	13	34
All	59	160	88	205	127	639

Source: Education & Library Boards

Table D3: Meals per kitchen by Cost Band and ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
<2.00	48,898	38,730	34,727	54,617	48,351	43,225
2.00-2.64	64,379	35,634	42,709	38,869	63,833	45,234
2.65-3.29	53,154	25,784	35,007	24,759	39,088	31,464
3.30-3.99	58,165	16,513	27,036	17,477	22,036	21,151
4.00+	27,556	13,804	8,478	6,184	18,164	14,511

Source: Education & Library Boards

Table D4: Spend by Type of Provision and ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Central Kitchen (£000)	5,937	3,710	4,932	3,817	6,756	25,153
Production Kitchen (£000)	2,827	8,441	3,431	11,858	7,334	33,892
Total (£000)	8,765	12,151	8,363	15,675	14,091	59,044

Source: Education & Library Boards

Table D5: Number of Kitchens by type of Provision and ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Central Kitchen	34	41	34	37	55	201
Production Kitchen	25	119	54	168	72	438
Total	59	160	88	205	127	639

Source: Education & Library Boards

Table D6: Number of meals by type of provision and ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Central Kitchen (000)	2,307	1,502	1,954	1,600	2,337	9,701
Production Kitchen (000)	1,096	3,040	1,388	4,415	2,734	12,674
Total (000)	3,403	4,542	3,342	6,015	5,052	22,375

Source: Education & Library Boards

Table D7: Unit Cost by type of provision and ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Central Kitchen (£)	2.57	2.47	2.52	2.39	2.89	2.59
Production Kitchen (£)	2.58	2.78	2.47	2.69	2.68	2.67
All (£)	2.58	2.68	2.50	2.61	2.78	2.64

Source: Education & Library Boards

Table D8: Spend by kitchen size by ELB (£000s)

Meals on Census Day	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Less than 75	0	1,928	368	1,779	552	4,627
75-150	672	3,731	1,491	2,730	2,266	10,889
150-250	1,517	3,325	1,332	3,382	3,551	13,106
250-400	2,575	1,596	2,789	3,027	3,192	13,178
400+	4,001	1,571	2,384	4,758	4,530	17,244
All	8,765	12,151	8,363	15,675	14,091	59,044

Source: Education & Library Boards

Table D9: Number of kitchens by kitchen size and ELB

Meals on Census Day	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Less than 75	0	42	10	58	11	121
75-150	7	63	29	57	35	191
150-250	14	35	15	42	39	145
250-400	19	12	23	24	22	100
400+	19	8	11	24	20	82
All	59	160	88	205	127	639

Source: Education & Library Boards

Table D10: Number of Meals by kitchen size and ELB (000s)

Meals on Census Day	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Less than 75	0	697	135	535	165	1,532
75-150	181	1,376	611	1,016	682	3,866
150-250	617	1,240	524	1,311	1,298	4,990
250-400	1,047	618	1,149	1,168	1,123	5,104
400+	1,558	612	924	1,984	1,804	6,882
All	3,403	4,542	3,342	6,015	5,072	22,375

Source: Education & Library Boards

Table D11: Unit cost by kitchen size and ELB- All Kitchens (£)

Meals on Census Day	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Less than 75	N/A	2.77	2.73	3.32	3.36	3.02
75-150	3.71	2.71	2.44	2.69	3.32	2.82
150-250	2.46	2.68	2.54	2.58	2.74	2.63
250-400	2.46	2.58	2.43	2.59	2.84	2.58
400+	2.57	2.57	2.58	2.40	2.51	2.51
All	2.58	2.68	2.50	2.61	2.78	2.64

Source: Education & Library Boards

Table D11a: Unit cost by kitchen size and ELB- Central Kitchens (£)

Meals on Census Day	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Less than 75	N/A	2.34	N/A	3.70	2.74	2.45
75-150	4.03	2.57	2.42	3.21	3.75	2.99
150-250	2.40	2.52	2.74	2.43	3.17	2.73
250-400	2.53	2.30	2.40	2.44	2.87	2.56
400+	2.53	2.43	2.60	2.15	2.58	2.47
All	2.57	2.47	2.52	2.39	2.89	2.59

Source: Education & Library Boards

Table D11b: Unit cost by kitchen size and ELB- Production Kitchens (£)

Meals on Census Day	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Less than 75	N/A	3.29	2.73	3.30	3.58	3.26
75-150	3.45	2.80	2.44	2.59	3.19	2.76
150-250	2.49	2.75	2.40	2.62	2.41	2.57
250-400	1.96	2.61	2.50	2.64	2.79	2.61
400+	2.65	2.63	2.41	2.57	2.44	2.55
All	2.58	2.78	2.47	2.69	2.68	2.67

Source: Education & Library Boards

Table D12: Spend on goods and services by ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Total (£000s)	3,779	4,679	3,246	6,652	5,814	24,170
Per Meal (£)	1.11	1.03	0.97	1.11	1.15	1.08

Source: Education & Library Boards

Table D13: Spend on staff costs by ELB

	BELB	NEELB	SEELB	SELB	WELB	TOTAL
Total (£000's)	4,986	7,472	5,117	9,023	8,277	34,875
Per Meal (£)	1.47	1.64	1.53	1.50	1.63	1.56

Source: Education & Library Boards

Table D14: Staffing Schedules

Average Daily output of Meals	1982 Schedule	1994 SELB Update	Actual Productivity 2010-11
20-29	4.27	4.54	2.36
30-39	4.78	5.60	4.37
40-49	5.42	6.42	4.52
50-59	6.26	6.70	5.44
60-74	6.87	7.28	5.77
75-87	6.92	7.50	6.19
88-99	7.27	7.73	7.12
100-112	7.49	8.15	7.00
113-124	7.28	8.29	7.20
125-137	7.06	8.45	7.33
138-149	6.89	8.56	7.70
150-174	6.98	8.85	7.32
175-199	7.70	8.99	7.64
200-224	8.36	9.13	8.51
225-249	8.35	9.31	8.49
250-274	8.34	9.49	8.54
275-299	8.38	9.66	9.56
300-324	8.42	9.82	9.20
325-349	8.53	10.00	8.97
350-374	8.63	10.16	10.56
375-399	9.02	10.35	10.25
400-424	9.38	10.51	9.77
425-449	9.68	10.60	9.38
450-474	9.97	10.84	8.80
475-499	10.19	11.02	9.88
500-549	10.67	11.35	9.77
550-599	10.52	11.68	10.71
600-649	10.35	12.03	12.15
650-699	10.66	12.34	12.29
700-749	10.94	12.71	12.41
750-799	11.20	13.04	11.89

Source: Education & Library Boards

Table D15: Non-frontline staff costs 2006-07 and 2010-11 (£000s)

BOARD	2006-07	2010-11	Change	% Change
BELB	233.7	273.0	39.3	16.8%
NEELB	382.2	406.6	24.4	6.4%
SEELB	194.8	197.2	2.4	1.2%
SELB	445.7	508.0	62.4	14.0%
WELB	409.4	480.5	71.1	17.4%
All	1,665.8	1,865.3	199.5	12.0%

Source: Education & Library Boards

Table D16: Unit Costs (£) by sector, type of provision and ELB

	BELB	NEELB	SEELB	SELB	WELB
Special					
Central	2.58	2.90	-	-	2.97
Production	5.52	2.89	2.99	3.02	3.02
Total	2.75	2.89	2.99	3.02	2.99
Primary					
Central	2.51	2.40	2.43	2.45	2.90
Production	2.44	2.65	2.30	2.59	2.80
Total	2.49	2.55	2.37	2.54	2.86
Post Primary					
Central	2.55	2.62	2.64	2.05	2.83
Production	2.64	2.92	2.78	2.78	2.63
Total	2.60	2.87	2.69	2.69	2.66
Other					
Central	4.66	-	-	3.79	-
Production	-	-	-	3.03	-
Total	4.66	-	-	3.18	-

Source: Education & Library Boards

Table D17: Spend on goods & services per meal (£) by sector, type of provision & ELB

	BELB	NEELB	SEELB	SELB	WELB
Special					
Central	1.03	1.36	-	-	1.14
Production	2.14	0.92	0.97	1.09	1.19
Total	1.10	1.15	0.97	1.09	1.16
Primary					
Central	1.11	0.89	0.85	1.04	1.16
Production	1.09	0.90	0.82	1.05	1.02
Total	1.10	0.89	0.83	1.02	1.11
Post Primary					
Central	1.12	1.17	1.16	0.95	1.25
Production	1.01	1.26	1.22	1.28	1.21
Total	1.07	1.24	1.18	1.24	1.22
Other					
Central	2.42	-	-	1.12	-
Production	-	-	-	0.98	-
Total	2.42	-	-	1.01	-

Source: Education & Library Boards

Table D18: Staff costs per meal (£) by sector, type of provision and ELB

	BELB	NEELB	SEELB	SELB	WELB
Special					
Central	1.54	1.54	-	-	1.83
Production	3.38	1.96	2.01	1.93	1.83
Total	1.65	1.74	2.01	1.93	1.83
Primary					
Central	1.40	1.52	1.59	1.41	1.74
Production	1.35	1.75	1.48	1.47	1.78
Total	1.39	1.65	1.54	1.51	1.75
Post Primary					
Central	1.42	1.46	1.48	1.10	1.58
Production	1.63	1.67	1.56	1.50	1.42
Total	1.53	1.63	1.51	1.45	1.45
Other					
Central	2.24	-	-	2.67	-
Production	-	-	-	2.05	-
Total	2.24	-	-	2.17	-

