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**PROVISION OF P1 TO P3 FREE SCHOOL MEALS – FUNDING UPDATE**


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**1. EXECUTIVE SUMMARY**

- 1.1 The Council will be required as part of the Children and Young People (Scotland) Act 2014 to provide free school meals for all pupils in P1 to P3 from January 2015. There are both revenue and capital cost implications of expanding the catering service to deliver this. The estimated costs were outlined in a report to Council on 26 June 2014. This report provides an update on the estimated costs and funding position to offset these costs.
- 1.2 The Scottish Government announced on 17 July 2014 the allocation of revenue funding to individual councils, the estimated revenue costs and funding allocation for revenue costs are outlined in the table below:

	2014-15	2015-16
Total Estimated Costs	£345,375	£768,900
Scottish Government Funding Allocation	£264,000	£863,000
<b>Net (cost)/surplus</b>	<b>(£81,375)</b>	<b>£94,100</b>

The revenue funding allocation from the Scottish Government results in a funding shortfall of £81,375 in 2014-15 and a surplus of £94,100 in 2015-16. The implementation group will ensure cost estimates and assumptions are continually updated as required and will consider any process that can be put in place to smooth the funding impact across the two years.

- 1.3 The estimated capital costs are outlined in the table below:

Cost Element	Estimated Costs 2014-15	Estimated Costs 2015-16
Storage	£65,000	£0
Equipment (dishwashers)	£126,500	£0
Kitchen Upgrades	£390,000	£0
Van	£11,000	£0
Possible Capital Cost for Ulva and Iona	£0	£500,000
<b>Total Capital Costs</b>	<b>£592,500</b>	<b>£500,000</b>

The costs have been updated from those outlined in the report to Council on 26 June. The Scottish Government has yet to advise on the level of capital funding available, however they have stated that reasonable capital costs will be met. They are in the process of working with COSLA to reach an agreement about the level and distribution of capital investment needed to deliver the commitment across Scotland and hope to have negotiations completed soon.

- 1.4 To ensure the successful delivery of the expanded meals service from January 2015 there is a requirement to progress some of the capital expenditure in advance of the funding allocation being known. The two specific areas are the equipment (dishwashers) and storage. There may be a significant lead-in time for the procurement and availability of the equipment and the catering service already faces huge challenges in terms of lack of storage which would make implementation impossible. This would require an estimated £191,500 of capital investment in advance of the funding notification, a business case for capital funding in support of this is included as Appendix 1. There is a risk that the Council will not receive capital funding to cover these costs but this expenditure is essential to ensure delivery of the free school meals expansion and would have to be incurred to ensure delivery of the policy by January 2015 regardless of the level of funding available. A further report will be produced to update Members when the Council receives notification of the capital funding allocation.

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**2. INTRODUCTION**

- 2.1 The Council will be required as part of the Children and Young People (Scotland) Act 2014 to provide free school meals for all pupils in P1 to P3 from January 2015. There are both revenue and capital cost implications of expanding the catering service to deliver this. The estimated costs were outlined in a report to Council on 26 June 2014. This report provides an update on the estimated costs and the additional funding to offset these costs.
- 2.2 The report outlines the recent announcement from the Scottish Government confirming the revenue funding allocation and notes that there is still no indication of the level of capital funding. There is a requirement to make some investment in capital equipment prior to full implementation in January 2015 partly to ensure equipment is in place for the pilot in October 2014 and also to ensure delivery in time for full implementation. Equipment availability is a concern as all Scottish local authorities are implementing the Act and also the procurement process may require a significant lead in time.

**3. RECOMMENDATIONS**

- 3.1 Members to note the estimated revenue costs and notification from the Scottish Government on the allocation of funding to offset these costs. Also to note the updated estimated capital costs together the fact that the Scottish Government are yet to announce capital funding allocations.
- 3.2 Approve the request by the service to invest in some of the capital requirements in advance of the funding notification from the Scottish Government. This would be an estimated £191,500 of forward investment in equipment and storage costs to ensure smooth implementation of the policy in January 2015.

## 4. DETAIL

### 4.1 Revenue Costs and Funding

4.1.1 The estimated revenue costs are outlined below:

Cost Element	Estimated Part Year Cost for 2014/15	Estimated Full Year Cost for 2015/16
Food Purchases	£68,250	£275,000
Staffing – Kitchens	£29,500	£120,400
Staffing – Education	£10,125	£40,500
Equipment	£118,000	£0
Loss of Income	£101,500	£333,000
Pilot Costs	£18,000	£0
<b>Total Revenue Costs</b>	<b>£345,375</b>	<b>£768,900</b>

4.1.2 These costs are estimates based on a number of assumptions including expected level of uptake. The assumptions are continually reviewed by the implementation group and will be updated for any significant changes. In addition the pilot roll-out in October will provide a better understanding of the additional requirements, both in terms of uptake but also in terms of additional kitchen and supervisory staff.

4.1.3 The Scottish Government announced the revenue funding allocation to individual Councils on 17 July 2014. The additional funding will be paid as part of revenue support grant with the funds being allocated across Councils based on the overall number of primary school pupils not registered for free school meals. The allocation approach was approved by COSLA leaders at their meeting on 30 May.

4.1.4 The Council allocation of revenue funding is confirmed to be £264,000 for 2014-15 and £863,000 for 2015-16. These allocations are in line with the expected level of funding. This results in a funding shortfall in 2014-15 of £81,375 and excess funding of £94,100 in 2015-16. As noted above the costs are estimated at this stage and will become clearer as the Council nears full implementation. The implementation group will ensure cost estimates and assumptions are updated and will consider any process that can be put in place to smooth the funding impact across the two years.

### 4.2 Capital Costs and Funding

4.2.1 The estimated Capital costs are outlined in the table below:

Cost Element	Estimated Cost 2014-15	Estimated Cost 2015-16
Storage	£65,000	£0
Equipment (dishwashers)	£126,500	£0
Kitchen Upgrades	£390,000	£0
Van	£11,000	£0

Possible Capital Cost for Ulva and Iona	£0	£500,000
<b>Total Capital Costs</b>	<b>£592,500</b>	<b>£500,000</b>

- 4.2.2 The costs in the table above have been updated from those outlined in the report to Council on 26 June. The catering service has been working with Education to refine the additional capital requirements for each school to ensure smooth delivery of the extended free meal provision. The Council have estimated significant capital investment is required primarily due to the location of some of the schools, having smaller schools with less pupils and kitchen capacity issues. In addition the Council has two schools where there is no catering provision; if we were required to provide kitchen facilities at these schools further capital investment would be necessary.
- 4.2.3 The Scottish Government have not yet advised on capital funding allocations, however they have stated that reasonable capital costs associated with the policy will be met. They are in the process of working with COSLA to reach an agreement about the level and distribution of capital investment needed to deliver the commitment across Scotland and hope to have negotiations completed soon, however they have urged Councils to consider any interim arrangements that may be required to ensure implementation by January 2015.
- 4.2.4 There is a requirement to move forward with some of the capital expenditure and works as soon as possible to ensure everything is in place for implementation in January 2015. The two main areas that need to be progressed are the procurement of the equipment (dishwashers) and work on the storage sites/issues. There could be a significant lead in time for the procurement of the dishwashers, the procurement process may take up to 22 weeks to complete and suppliers have been notifying Councils of delivery delays because of the level of demand for equipment. In addition lack of storage is already a significant issue in a number of locations and these issues will be exacerbated with the increased production required with the provision of further meals. Failure to deliver on the provision of the equipment and storage could have a serious impact on the ability of the service to provide the expanded meal service by January 2015 as required.
- 4.2.5 A business case is included as Appendix 1 to outline the equipment and storage requirements, the total estimated cost of this will be £191,500. Members are asked to permit the service to procure the equipment and progress the storage provisions in advance of the Scottish Government notification of funding. There are significant risks of non-delivery of the expansion of the free meals provision in January 2015 if these are not progressed as soon as possible. There is still a risk that the Council will not receive sufficient capital funding to cover these costs but these elements of capital expenditure would be essential to the delivery of the free meals expansion whether the funding is provided or not. A further report will be brought forward by the service when the Scottish Government notification of capital funding allocations is received.

## **5. CONCLUSION**

- 5.1 The Council is required to expand free school meal provision to all P1 to P3 pupils from January 2015. This will require significant investment both in terms of revenue and capital costs. The Scottish Government have advised on the level of additional revenue funding to be provided across the two financial years (2014-15 and 2015-16) and the funding offsets the estimated additional costs across these two years.
- 5.2 There has been no indication of the level of capital funding to be allocated from the Scottish Government, there are ongoing negotiations between the Scottish Government and COLSA over the level and distribution of capital funding. In order to ensure the smooth delivery of the free school meals expansion from January 2015 there is a requirement to invest an estimated £191,500 now in capital expenditure in advance of the funding allocation being advised. There is a risk that the capital funding allocation may not cover these costs but the expenditure is deemed to be essential to ensure delivery of the free school meal provision for P1 to P3 pupils by January 2015, and there is a greater risk that the Council will not deliver on the requirements of the Children and Young People (Scotland) Act 2014 without this investment.

## **6. IMPLICATIONS**

- 5.1 Policy – The Scottish Government require the Council to implement the Children and Young People (Scotland) Act 2014, one of the requirements of which is to deliver free school meals to P1 to P3 pupils.
- 5.2 Financial – The Scottish Government have announced revenue funding for financial years 2014-15 and 2015-16 which offsets the total estimated costs for these years. Capital funding allocation is not yet known, requested permission to spend up to £191,500 in advance of the funding allocation notification.
- 5.3 Legal – none
- 5.4 HR – none
- 5.5 Equalities – Delivery of the policy ensures that all P1 to P3 pupils will receive a free school lunch.
- 5.6 Risk – Revenue costs are an estimate at this stage and will not be fully known until full implementation, in addition capital funding is unknown and may not fully offset the level of investment required.
- 5.7 Customer Service - none

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28 July 2014

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**APPENDICES**

Appendix 1: Business Case for Capital Funding – P1 to P3 School Meals







## ARGYLL AND BUTE COUNCIL BUSINESS CASE FOR CAPITAL FUNDING

**DEPARTMENT**    Customer Services                      **SERVICE**    Facility Services

**Asset Type**    Property Asset Sustainability                      **Asset Group**    Primary School Kitchens

**Project Name**            **REQUEST TO ALLOCATE CAPITAL FUNDING TO ENABLE DELIVERY OF P1 – P3 FREE SCHOOL MEALS BY JANUARY 2015**

### 1. **Executive Summary**

On 7 January 2014 the First Minister announced that the Scottish Government would be introducing a policy of free school meals to all pupils in Primary 1 – Primary 3 from January 2015. Over the past few months, COSLA has been working on behalf of Local Authorities to agree the necessary funding to ensure that this policy can be delivered safely.

On 17 July 2014 the Scottish Government wrote to Local Authorities confirming that the allocation and distribution of the revenue funding had been agreed. This letter also provided an update on the position with regards to capital funding, whereby COSLA and the Scottish Government are still working to reach an agreement on the allocation of capital funding. The Scottish Government has confirmed that reasonable capital costs for this policy will be met.

To allow the Council to safely implement this policy change by January 2015, capital funding of £191,500 is required to ensure that essential storage and dishwashing equipment can be purchased and installed prior to the implementation date. The list of essential requirements is as follows:

Additional Storage Required	
Location	Projected Cost
Dunoon	£ 10,000
Lochnell	£ 5,000
Toward	£ 5,000
Dalintober	£ 5,000
Rhu	£ 10,000
Roseneath	£ 10,000
Rothesay	£ 10,000
Lochgilphead	£ 10,000

Storage Total	£ 65,000
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Kitchens requiring dishwashers	
Location	Projected Cost
Achaleven	£ 3,500.00
Ashfield	£ 3,500.00
Bunessan	£ 3,500.00
Carradale	£ 3,500.00
Clachan	£ 3,500.00
Colgrain	£ 6,000.00
Dalmally	£ 3,500.00
Dervaig	£ 3,500.00
Drumlemble	£ 3,500.00
Furnace	£ 3,500.00
Keills Primary	£ 3,500.00
Kilchrennan	£ 3,500.00
Kilniver	£ 3,500.00
Kilmodan	£ 3,500.00
Lochgoilhead	£ 3,500.00
Lochnell	£ 6,000.00
Minard	£ 3,500.00
North Bute	£ 3,500.00
Port Charlotte	£ 6,000.00
Port Ellen	£ 6,000.00
Rhunahaorine	£ 3,500.00
Rosneath	£ 6,000.00
Salen	£ 6,000.00
Skipness	£ 3,500.00
Strath of Appin	£ 6,000.00
Strone	£ 6,000.00
Taynuilt	£ 6,000.00
Tobermory	£ 6,000.00
Toward	£ 3,500.00

Dishwasher Total	£ 126,500.00
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<b>Early Capital Investment Required</b>	<b>£ 191,500</b>
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Due to high demand for equipment as a result of this policy being implemented nationally, early ordering of equipment has been advised by suppliers.

## 2. **Affordability**

The affordability of this project is high as the Scottish Government has stated that reasonable capital costs will be met by them.

The development of the necessary capital investment required has been informed by the operational staff of the Catering and Cleaning Service with input from management, Property Services and Community Services. The approach taken has been to ensure that capital investment is minimised across the schools estate.

### **3. Deliverability**

The project will be delivered primarily by in house teams/personnel who are well experienced in work of this nature. If required, resources shall be supplemented by suitably experienced external consultants.

We have developed a range of tried and tested consultants and contractors who can be relied upon to supply competitive quotations for work of this nature.

### **4. Risk**

Failure to secure this advance allocation of budget will result in the Council being exposed to significant risk:-

These include:-

- Failure to implement government policy
- Reputational damage
- Potential risk of claims from parents who are denied access to free school meals for their P1 – P3 children.
- Increased food safety risk