
PROVISION OF P1 TO P3 FREE SCHOOL MEALS – FUNDING UPDATE

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 and to the Policy and Resources Committee on 21 August 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 updated estimated revenue costs and funding allocation for revenue costs are outlined in the table below:

	2014-15	2015-16
Total Estimated Costs	£321,102	£744,423
Scottish Government Funding Allocation	£264,000	£863,000
Net (cost)/surplus	(£57,100)	£118,577

The revenue funding allocation from the Scottish Government results in a projected shortfall of £57,100 in 2014-15 and a surplus of £118,577 in 2015-16. An Implementation Group has been established to ensure the safe implementation of this policy, and the group will ensure cost estimates and assumptions are continually updated as required. The costs are estimates at this stage based on projected demand and uptake. Actual costs will become clearer when the free school meal provision starts in January 2015 and the level of demand is established.

- 1.3 The estimated capital costs together with the additional capital funding announced by the Scottish Government are outlined in the table below:

Capital Cost Element	2014-15	2015-16
Total Estimated Costs	£570,180	£500,000
Scottish Government Funding Allocation	£550,000	£0
Net (cost)/surplus	(£20,180)	(£500,000)

- 1.4 As planning for the implementation of the new service has developed, the estimated costs for 2014-15 have been refined from £592,500 which was the estimate at the time of the Policy and Resources Committee meeting on 21 August, to £570,180.

- 1.5 The Scottish Government previously advised that £24.8m of capital funding would be available nationally, and on 25 November 2014 it was confirmed that the Council share of this would be £550,000. With the current estimate of costs this results in a projected shortfall of £20,180 for 2014/15. However, Members are reminded that these are estimated costs so it is likely that the expenditure can be brought into line with the additional funding allocation.
- 1.6 At the meeting of 21 August 2014, the Policy and Resources Committee approved funding of £191,500 for the purchase of dishwashers and additional storage. This was an advance on the expected capital funding allocation to allow the service to progress with procurement and planning in advance of implementation. The Council's recently announced capital funding allocation will cover this advance.
- 1.7 In submitting its cost estimates, the Council highlighted an indicative cost of £500,000 in 2015/16 for the provision of kitchen facilities in Ulva and Iona Primary Schools. No allocation has been made available for this under the agreed distribution. Therefore, the Council is currently exploring other ways in which this policy can be implemented at these schools to minimise any additional costs. At this stage, in line with the approach adopted by other local authorities, it is anticipated that the provision will be met by reimbursing parents for the cost of a school lunch although this will be reviewed as the implementation progresses.
- 1.8 **Recommendations:** Members are asked to note:
- (1) The updated estimated revenue costs to Council, compared with the revenue allocation already confirmed by the Scottish Government.
 - (2) The updated estimated capital costs to the Council, compared with the capital funding allocation confirmed by the Scottish Government on 25 November 2014.
 - (3) At their meeting of 21 August 2014, the Policy and Resources Committee approved £191,500 of forward investment in equipment and storage costs to ensure smooth implementation of the policy and this sum can be accommodated within the recently announced capital funding allocation.
 - (4) No capital allocation has been made to enable the provision of new kitchens at Ulva and Iona Primaries.

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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 reports to Council on 26 June 2014 and to the Policy and Resources Committee on 21 August 2014. This report provides an update on the progress being made with regards to implementation and updating the estimated costs.

3. RECOMMENDATIONS

- 3.1 Members are asked to note:

- (1) The updated estimated revenue costs to Council, compared with the revenue allocation already confirmed by the Scottish Government.
- (2) The updated estimated capital costs to the Council, compared with the capital funding allocation confirmed by the Scottish Government on 25 November 2014.
- (3) At their meeting of 21 August 2014, the Policy and Resources Committee approved £191,500 of forward investment in equipment and storage costs to ensure smooth implementation of the policy and this sum can be accommodated within the recently announced capital funding allocation.
- (4) No capital allocation has been made to enable the provision of new kitchens at Ulva and Iona Primaries.

4. DETAIL**4.1 Revenue Costs and Funding**

- 4.1.1 The current estimated revenue costs and funding are outlined below:

Cost Element	Estimated Part Year Cost for 2014/15	Estimated Full Year Cost for 2015/16
Food Purchases	£64,128	£256,512
Staffing Kitchens	£29,514	£118,056
Staffing Education	£9,213	£36,855
Equipment	£98,747	£0
Loss of Income	£101,500	£333,000
Pilot costs	£18,000	£0
Total Revenue Costs	£321,102	£744,423
Scottish Government Funding Allocation	£264,000	£863,000
Net (cost)/surplus	(57,100)	£118,577

- 4.1.2 These costs are estimates based on a number of assumptions including expected level of uptake. An implementation Group has been established to ensure the safe implementation of this policy, and these assumptions are continually reviewed and updated by the group for any significant changes. The pilot roll-out currently underway 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. This allocation mechanism was approved by COSLA Leaders at their meeting of 30 May 2014.
- 4.1.4 The Council allocation of revenue funding has been confirmed as £264,000 for 2014-15 and £863,000 for 2015-16. These allocations are in line with the expected level of funding. At latest estimates this would result in a funding shortfall in 2014-15 of £57,100 and excess funding of £118,577 in 2015-16. While this is the case, a full reconciliation will have to be carried out once the actual cost of implementing the new service is known.
- 4.1.5 The Council's estimated costs will continue to be refined following the pilot exercise agreed by the Council on 26 June 2014, whereby all schools (except the two schools without kitchens) have had a one week trial to test the implementation of this policy. This pilot commenced within Bute and Cowal on 27 October 2014, and continued across Oban, Lorn and the Isles during week commencing 10 November 2014. Mid Argyll and Kintyre followed during the week beginning 17 November 2014 and the pilot finished in Helensburgh and Lomond in the week beginning 24 November 2014. The evaluation of the outcomes assisted in identifying unforeseen operational costs as well as testing other costs including those for additional staff required by Facility Services for providing the lunch and for additional staff required by the Education Service for pupil supervision in the dining hall.

4.2 Capital Costs and Funding

4.2.1 The current estimated capital costs and funding are outlined below:

Cost Element	Estimated Cost for 2014-15	Estimated Cost for 2015-16
Dishwashers	£122,477	£0
Storage	£55,028	£0
Kitchen Refits	£380,000	£0
Van	£12,675	£0
Possible Capital Cost for Ulva & Iona	£0	£500,000
Total Capital Costs	£570,180	£500,000
Scottish Government Funding Allocation	£550,000	£0
Net (cost)/surplus	(£20,180)	(£500,000)

4.2.2 The projected costs for 2014-15 have been reduced from £592,500 which was the estimate at the time of the Policy and Resources Committee meeting on 21 August, to £570,180. 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.

4.2.3 The Scottish Government previously advised that £24.8m of capital funding would be available nationally, and on 25 November 2014 it was confirmed that the Council's share of this will be £550,000 to ensure the safe implementation of this policy. This results in a potential shortfall of £20,180 in 2014-15 but as the capital costs are estimates at this stage, it is likely that the expenditure can be brought into line with the funding allocation.

4.2.4 At the meeting of 21 August 2014 Policy and Resources Committee agreed to advanced investment of £191,500 to ensure the safe implementation of this policy. This can now be offset against the recently announced capital allocation of £550,000. This advance expenditure was to enable the provision of dishwashers and additional storage capacity at schools where this is necessary. Overall progress with this work is being monitored by the Implementation Group.

4.2.5 Regrettably, the capital allocation received from the Scottish Government makes no allowance for the provision of new kitchens at Ulva and Iona Primary Schools. The indicative cost of this provision was predicted to be around £500,000 so this is not currently affordable by the Council. In the interim however, Community Services have carried out an options appraisal exercise to test the various ways whereby lunches could be provided. These options included consideration of meal provision via local hotels and transportation of meals from other school kitchens. Both of these options have proved to be impractical so the preferred option for the Council is to reimburse parents for

the cost of a lunch. This reflects the approach adopted by other Local Authorities who also have schools without kitchens although the effectiveness of this approach will be evaluated during the implementation process.

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 The Scottish Government has also confirmed capital funding of £550,000 and this is likely to be sufficient to cover the required capital spend for 2014-15 to ensure the safe delivery of the free school meals expansion by January 2015. No capital allocation has been made to provide kitchen and dining facilities at Iona and Ulva Primary Schools, and so this policy will be implemented by reimbursement, however this will be reviewed following implementation.
- 5.3 The projected costs of delivering the service are all estimates at this stage and will not be formally determined until after full implementation in January 2015. However the Implementation Group is closely monitoring and updating the estimated costs to ensure the additional free school meals provision can be delivered from the additional Scottish Government funding to ensure there is no additional cost to the Council.

6. IMPLICATIONS

- 6.1 Policy – The Scottish Government require the Council to implement the Children and Young People (Scotland) Act 2014, one of the requirement of which is to deliver free school meals to P1 to P3 pupils.
- 6.2 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. The capital funding allocation of £550,000 is sufficient to cover most of the required capital works to ensure the safe delivery of this policy although no funding allocation has been made to enable provision of catering and dining facilities at Iona and Ulva Primary schools.
- 6.3 Legal – none
- 6.4 HR – none
- 6.5 Equalities – Delivery of the policy ensures that all P1 to P3 pupils will receive a free school lunch.
- 6.6 Risk – Revenue and capital costs are an estimate at this stage and will not be fully known until full implementation.
- 6.7 Customer Service – none

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