Administration of payment of appropriations for school meals

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Executive summary

The provision of school lunch at no charge has been established in the Basic Schools and Upper Secondary Schools Act, pursuant to which special purpose appropriations from the state budget are allocated to local government budgets in order to cover the cost of school lunch for the pupils in forms 1 to 4 and for other pupils if appropriate (except the pupils in state-maintained schools whose meals are funded from the state budget). Free school lunch is provided since 2002. The Government determined that the average cost of school lunch is 10 kroons per student in 2003 and 10.8 kroons per student in 2004. To this end, EEK 103.4 million were allocated from the state budget each year.

Relevant observations

Organisation of supervision
The State Audit Office (SAO) finds that the degree of control over the use of appropriations for school lunch is insufficient. Although the obligation to supervise has by different legal acts been imposed on the Ministry of Education and Research, on the County Governments and local authorities, almost no supervision has been exercised. Since the payment of appropriations for school lunch is governed by the law in the field of education, the SAO finds that the duty to exercise supervision lies first of all with the Ministry of Education and Research.

Organisation of public procurement and contracts with the meal provider
Most of the audited local authorities have not invited competitive tenders for finding a caterer. As a rule, local authorities or schools had made with the meal providers so-called "rental contracts" which also govern the purchase of catering services. Since in most cases the value of acquired services exceeded the threshold value for public procurement, they were required to publish an invitation to tender. According to the current law, the purchase of a catering service is not an exception for the purposes of the Public Procurement Act, although the Public Procurement Office finds that the application of full-scale procedure for public procurement of school meals would be problematic. There were also schools without any contract with the meal provider.

School meal's average cost per day
The SAO also inspected the meal's average cost per day in the schools. It appeared that the differences may vary by more than twofold by regions, whereas they mainly depended on whether the catering service was contracted or own kitchen was operated on the premises. In the case of a school kitchen, the staff costs and other costs are covered by the local authority and the meals cost per day is based on the cost of necessary foodstuffs. In schools where the service provider is a private catering entity, the average school meals cost per day equals the amount reimbursed by the government. At the same time the caterer has to cover costs, which in case of a school kitchen are paid directly from the local budget (the labour costs referred to above, etc.) and also earn profits. The SAO finds that the government should indicate to what extent the caterer's costs are reimbursed.

Calculation of appropriations
In most local authorities, accounting for school lunch appropriations was arranged in the manner where the used and unused budget appropriations could not be distinguished during the whole fiscal year, since the same account was used for other catering costs. In terms of transparency, it is essential to distinguish costs of different sources. At the same time it did not appear as if state budget appropriations had been used for anything else than catering for students.

Main proposals

Proposal to the Minister of Education and Research

- Initiate an amendment to the Basic Schools and Upper Secondary Schools Act in order to unambiguously lay down whose duty is to monitor the use of appropriations for school meals.

Proposals to the Minister of Finance together with the Minister of Education and Research

- Consider the need for and opportunity of stipulating that a local authority, by way of condition for granting school meals appropriations, conclude with the government a contract that would govern the use of subsidy, reporting thereof and control over the use of subsidy. Consider the need for the proposed increase of the authorities of the Government of the Republic to regulate in more detail the use of school lunch appropriations.
- Improve the regulation so as to specify what expenses and to what extent can be financed out of school lunch appropriations.

Proposal to the Minister of Finance

- Develop an opinion of the current practice for ordering catering services and decide whether the new Public Procurement Act should stipulate an exception to purchasing catering services.

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The Minister of Population Affairs, acting in the capacity of the Minister of Education and Research, stated in his reply to the SAO that the Ministry of Education and Research has intended to initiate amendments to the Basic Schools and Upper Secondary Schools Act which would empower the Government of the Republic to establish the requirements and procedure for the use of appropriations for school meals. The Minister also agreed that supervision was not regulated on the national level and he hoped that this would be regulated in the future by a basic act concerning the funding of local government. The Ministry of Education and Research will discuss the matter with the Ministry of Finance.

The Minister of Finance announced that amendments to the Basic Schools and Upper Secondary Schools Act were under consideration, so that appropriations for school meals are channelled to the revenue base of local authorities, because current regulation does not provide for the conclusion of contracts with local authorities. The Minister thought it necessary to point out that the issue of public procurement for school catering has been topical for a few recent years already and since under the EU procurement regulations the said service is deemed to be an exception, the Minister intends to submit to the Parliament the bill on Public Procurement Act with relevant amendments.

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