



# Aide-Memoire

## FURTHER INFORMATION ABOUT THE FOOD IN SCHOOLS BUDGET 2019 PROPOSAL

<b>To:</b>	Rt. Hon Jacinda Ardern, Minister for Child Poverty Reduction		
<b>cc:</b>	Hon Chris Hipkins, Minister of Education Hon Tracey Martin, Minister for Children		
<b>From:</b>	Kristie Carter Director, Child Poverty Unit	<b>Date:</b>	11/02/2019
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### Purpose

1. This aide memoire provides additional information to support discussion of the 'Food in Schools' Budget proposal, which is on the agenda for your meeting on Wednesday 13 February to discuss the Child and Youth Wellbeing Strategy. It responds to questions you had on our recent joint briefing (DPMC 2018/19-791 refers). It also sets out, at a high level, possible ways forward, should the decision be made to phase, scale or defer this Budget proposal.

### Background

2. As you are aware, officials submitted a Vote Education Budget 2019 proposal '*free school lunches for all students in schools with the highest concentrations of disadvantage*' to the Treasury on 11 January 2019. The Child Poverty Unit worked closely with Ministry of Education officials to develop the bid, which proposes the allocation of 9(2)(f)(iv) in 2019/2020 to design the programme, the establishment of a tagged contingency of 9(2)(f)(iv) operating expenditure) over four years, and a small amount of capital expenditure 9(2)(f)(iv) over ten years).
3. On 18 January 2019, we provided you, the Minister of Education and the Minister for Children with a joint report updating you on the details of the Budget 2019 proposal (DPMC 2018/19-791 refers). 9(2)(f)(iv)  
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  - the underpinning assumptions and exploring operating costs more fully;
  - evidence regarding the take-up of free school lunches in secondary schools; and

- aspects of the proposed operating model, such as schools contracting directly with food providers.
4. We have recently met Treasury officials regarding their proposed assessment of the Budget proposal. We have also met with representatives from existing Government-funded food in schools programmes (Fruit in Schools, KickStart Breakfast, and KidsCan), as part of our wider, ongoing engagement processes. We have gained useful perspectives and insights from these discussions, which we will use to inform more detailed policy and programme design.

## **Additional information about the Budget proposal assumptions and evidence**

5. The following information responds to 9(2)(g)(i)

### ***Operating cost assumptions***

6. In developing and costing the Budget 2019 proposal, we assumed the following:
- Cold lunches that are fresh, simple and nutritionally-balanced.
  - A fully government-funded model, which assumes no reliance on donations, parent contributions, existing school operational funding or staffing entitlements, or corporate sponsorship or partnerships.
  - Approximately 60/40 split between the cost of the food (raw ingredients and food preparation), and operating costs.
7. Operating costs encompass initial and ongoing input costs such as packaging, distribution, storage, administrative overheads (e.g. procurement), and profit margins (should government wish to incentivise local and large-scale businesses participate in this market).
8. The actual split across various inputs is likely to differ depending on the school-related factors (e.g. size and location); the delivery model they adopt (e.g. on-site vs off-site food preparation; the age of students being fed) and the costs associated with meeting any dietary requirements, regulatory requirements and nutritional standards set by government.
9. Our costing assumptions have been informed by information about the per student cost of programmes in other jurisdictions (e.g. the United Kingdom, Sweden) and existing commercial school lunch delivery programmes in New Zealand (e.g. Pita Pit, which delivers wraps to school students at a cost of between \$4.50 and \$9.00 per wrap).
10. Budget sensitivity, and uncertainties around programme design, make it challenging to establish more robust costings. In particular:
- A lack of directly comparable government-funded programmes that can be used to benchmark costs. For example, food provided in corrections facilities relies on existing on-site kitchens and low-cost prisoner employment. Relevant government contracts (e.g. hospital food services contracted by DHBs and NZ Health Partnerships Ltd) are tightly held due to commercial sensitivity.



- Establishing detailed costings is also difficult without direct engagement with the food industry (growers, wholesalers, caterers, distributors etc.), the education sector, and other professionals (e.g. nutritionists). We intend to undertake such discussions once decisions have been made about whether to proceed with the proposal.
  - Most existing programmes that provide food to students in New Zealand schools (e.g. KidsCan, Eat My Lunch, KickStart Breakfast) rely heavily on volunteer labour, and financial and in-kind donations from businesses and individuals. This makes it difficult to use them as a basis for assessing costs. They also tend to be targeted programmes to individual students and not universal within schools.
11. We have also assumed 100 percent take-up by both schools and students. Once we have had an opportunity to engage with schools and others, we may determine that unit price and / or take-up would be less. It may also be possible to design a model that reduces the cost to Government by leveraging non-government funding through private sector and individual sponsorship, donations or contributions.

***Evidence of free lunch consumption by secondary school students***

12. We are not aware of much evidence regarding the uptake of lunches provided in secondary schools. However, there is evidence that teenagers are less likely to have had breakfast than primary school students, and reported food insecurity is slightly higher amongst children aged over 11 years. We have also heard from existing providers that stigma is more of an issue in the provision of free food at secondary school level, than it is for younger students.
13. Further consultation and analysis is required to identify the specific needs of secondary students. However, it is likely that they will require a greater amount and choice of food. Many New Zealand secondary schools have tuck shops and cafeterias, indicating student demand for food provided at school (and potential opportunities to design delivery models that utilise these existing facilities and contracts). There may also be opportunities to involve students in the preparation and serving of food, linking to the food technology area of curriculum and NCEA unit standards.

***Potential delivery models, including schools contracting directly with food providers***

14. Our 18 January briefing referred to “building viable distribution networks where necessary” (paragraph 25 refers). The basis for this reference is our assumption that there may be a need to facilitate or establish more centralised (national or regional) delivery model for those schools that do not want to deliver or procure their own programme, or who require additional support to do so. Whether this is required will depend on final policy decisions about the level of compulsion on schools (e.g. whether they can ‘opt out’ of the policy) and what arrangements the government wishes to make for students in schools that are unwilling or unable to procure or deliver their own programme.
15. One of the identified objectives for this initiative is to allow flexibility for schools to adopt a model which suits them. The Budget proposal identified a range of potential options here, including individual and groups of schools contracting directly with food providers. The attached table provides additional information about the advantages and disadvantages of the different delivery models that could be adopted by schools.

## Phasing, scaling or deferring the Food in Schools Budget 2019 proposal

16. Given pressures on Budget 2019, the Treasury may request phased or scaled options, or recommend that this initiative be deferred until Budget 2020.

### *Phasing options*

17. Our 18 January briefing recommended that, if the cost of the initiative is to be reduced, implementation should be phased, without changing the level of targeting or unit pricing. 9(2)(g)(i) Further work would be required to identify the optimal approach to a phased rollout (e.g. by depth of deprivation, level / type of school, or by geographic location).

### *Scaling options*

18. Should the government wish to explore options to significantly reduce the cost of a free school lunch programme over the longer term (rather than only during the rollout / implementation phase), officials could explore alternative models.
19. For example, one option for a lower cost model is to pursue a partnership approach between Government and businesses (such as exists with the KickStart Breakfast programme). We have not explored such options to date. Our recent discussions with representatives from Fonterra (which runs KickStart) and KidsCan, officials have reinforced that a fully government-funded free school lunch programme may displace the significant existing private sector and individual financial and in-kind contributions. 9(2)(f)(iv)

### *Deferral to Budget 2020, in order to undertake further work*

20. If this proposal is unsuccessful in securing funding in Budget 2019, Ministers may wish to consider deferring it until Budget 2020. We understand that the Treasury may recommend this approach, given the significant amount of funding required, and the complex implementation issues to be worked through ahead of a 2020 implementation timeframe.
21. In our previous advice to Ministers (DPMC-2018/19-575, dated 11 November 2019 refers), officials proposed a longer lead time for detailed programme design work, with a view to securing funding in Budget 2020 and implementing the programme from the beginning of the 2021 school year. This would nevertheless require the allocation of a small amount of initial funding (estimated to be between 9(2)(g)(i) in 2019/2020) in Budget 2019 to support the detailed design and preparatory work.

22. 9(2)(f)(iv)



**Table 1: Potential School-led Delivery Models**

Option	Description	Advantage	Disadvantage
<b>Continuing / expanding existing provision</b>	Many schools serving the most deprived communities already provide breakfasts and / or lunches to some students.	Likely to be fastest to implement.  Builds on current community and corporate partnerships	May not achieve universal coverage within or across schools.  Fully government funded model may displace existing provision (e.g. donated funding, labour and goods).
<b>External contracting (market or community)</b>	Contracting for school lunch catering with specialist commercial providers, existing food businesses (local or national)	Approach to liability clear and flexible.	Potential for longer supply chains, which may affect types of food served.  Will need to provide profit margin, raising cost.
<b>External contracting (community)</b>	As market contracting, but with and or community providers such as marae or not-for-profit organisations.	Community buy-in.  Low or no profit margins.  Local employment opportunities.	Provision likely more varied than market approach.  More procurement and regulatory compliance assistance may be needed
<b>Daily onsite preparation of food</b>	Using existing facilities in schools (e.g. school canteens) to prepare food onsite.	Shortest supply chains.  Less displacement of in-school sales.	Exposes schools to liability.  Largest need for capital spending.