



Briefing

Confirming the scope and cost of a 'Free School Lunch Programme' Budget initiative

To: Rt Hon Jacinda Ardern, Prime Minister, Minister for Child Poverty Reduction
Hon Chris Hipkins, Minister of Education
Hon Tracey Martin, Minister for Children

Date	27/02/2019	Priority	HIGH
Deadline	1/03/2019	Briefing Number	DPMC-2018/19-906 METIS – 1778270

Purpose

- This briefing seeks confirmation of policy parameters and provides indicative costs for the Budget 2019 initiative, "Free school lunches for all students in schools with the highest concentrations of disadvantage" (the 'Free School Lunch' programme).
- It also provides further information on process, and upcoming decisions for your attention.
- Joint Ministers will need to agree whether this initiative is included in the broader Priority D (Child Poverty and Child Wellbeing) Budget package, preferably prior to the SWC discussion of the draft package on 6 March.

Recommendations

1. **Note** that, in January 2019, officials submitted a Vote Education Budget 2019 proposal 'free school lunches for all students in schools with the highest concentrations of disadvantage' (the 'Free School Lunch' programme), with a total operating cost over four years of 9(2)(f)(iv) and a small amount of capital expenditure 9(2)(f)(iv)

Prime Minister Ardern **Noted**

Minister Hipkins **Noted**

Minister Martin **Noted**

2. **Note** that the Free School Lunch programme is not currently included in the draft Priority D (Child Poverty and Child Wellbeing) Budget package due to be considered by Cabinet Social Wellbeing Committee on 6 March, as Treasury officials are recommending that this initiative be deferred

Prime Minister Ardern **Noted**

Minister Hipkins **Noted**

Minister Martin **Noted**

3. **Note** that the Minister for Child Poverty Reduction has provided officials with further direction for progressing a scaled and phased Free School Lunch programme in Budget 2019

Prime Minister Ardern **Noted**

Minister Hipkins **Noted**

Minister Martin **Noted**

4. **Note** that officials are seeking agreement to the objectives and parameters for a scaled and phased Free School Lunch programme, so that it can be finalised ahead of final Cabinet agreement to the Budget 2019 package on 15 April

Prime Minister Ardern **Noted**

Minister Hipkins **Noted**

Minister Martin **Noted**

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5. **Agree** the following objectives for the Free School Lunch programme:

- Ensuring children have their basic needs met, by directly addressing food insecurity at school
- Contributing to reduced material hardship and the impact of poverty on children in low income families
- Improve nutrition and intake of quality food by children in the targeted schools
- Flexibility at the school level around design and delivery, to best meet the needs of students and communities, and maintain or strengthen existing support from non government partners

Prime Minister Ardern **Agree / Disagree**

Minister Hipkins **Agree / Disagree**

Minister Martin **Agree / Disagree**

6. **Agree** the following high level design parameters for the government's Free School Lunch programme:

- Targeted to the twenty percent of state and state integrated schools with the highest concentrations of disadvantage, as identified in the Ministry of Education's Equity Index
- Targeted to Year 1 to 8 students only
- An expectation of universal provision (i.e. available to all Year 1-8 students) within the targeted schools, in order to minimise the risk of stigma
- An initial cost assumption of **9(2)(f)(iv)**, per student, per day, which is intended to cover all costs with no reliance on parent contributions, existing school operational funding or staffing entitlements, financial or in-kind donations, or sponsorship from non government sources
- The provision of short-term 'start-up' support to participating schools
- Further work to be undertaken to explore opportunities to work with non-government partners to leverage financial and non-financial support for the provision of free school lunches in targeted schools

Prime Minister Ardern **Agree / Disagree**

Minister Hipkins **Agree / Disagree**

Minister Martin **Agree / Disagree**

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7. s 9(2)(f)(iv)
- s 9(2)(f)(iv)

8. 9(2)(f)(iv)
- 9(2)(f)(iv)

9. **Note** that joint Ministers (Child Poverty Reduction, Education and Children) will need to agree whether this initiative is included in the broader Priority D (Child Poverty and Child Wellbeing) Budget package, preferably prior to the Cabinet Social Wellbeing Committee meeting on 6 March.

Prime Minister Ardern **Noted**

Minister Martin **Noted**

Minister Hipkins **Noted**

10. **Note** that, subject to Budget decisions, some of the details of this initiative may not be appropriate to announce in the Budget, as they will be subject to further work and / or commercial sensitivity.

Prime Minister Ardern **Noted**

Minister Martin **Noted**

Minister Hipkins **Noted**

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11. **Note** that, subject to Budget decisions, officials will provide you with further advice on a number of detailed operational design matters by October 2019, including:

- The mechanism(s) used to deliver the funding to schools and/or providers
- The monitoring and accountability arrangements for the use of funding
- The approach to rollout (e.g. on a geographical, needs or opt-in basis)
- How the implementation and impact of the initiative will be evaluated

Prime Minister Ardern **Noted**

Minister Hipkins **Noted**

Minister Martin **Noted**

12. **Agree** that decisions about these and any other detailed operational design matters be made by the Ministers for Child Poverty Reduction, Education and Children.

Prime Minister Ardern **Agree / Disagree**

Minister Hipkins **Agree / Disagree**

Minister Martin **Agree / Disagree**

13. **Agree**, subject to final Budget decisions, to official entering into confidential discussions (via signed non-disclosure agreements) with selected school leaders, non-government and private sector organisations, in order to obtain information and expertise to support the detailed development and implementation of the initiative.

Prime Minister Ardern **Agree / Disagree**

Minister Hipkins **Agree / Disagree**

Minister Martin **Agree / Disagree**

14. **Note** that official will keep you informed about the parties that we enter into confidential discussions with, and the outcomes of these discussions.

Prime Minister Ardern **Noted**

Minister Hipkins **Noted**

Minister Martin **Noted**

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15. **Agree** that this joint report not be proactively released at this time because final decisions relating to Budget 2019 are still to be made.

Prime Minister Ardern **Agree / Disagree**

Minister Hipkins **Agree / Disagree**

Minister Martin **Agree / Disagree**

Kristie Carter Director Child Poverty Unit
...../...../2019

Rt Hon Jacinda Ardern Prime Minister Minister for Child Poverty Reduction
...../...../2019

Damian Edwards Associate Deputy Secretary, Education System Policy Ministry of Education
...../...../2019

Hon Chris Hipkins Minister of Education
...../...../2019

Maree Brown Director Child Welfare Unit
...../...../2019

Hon Tracey Martin Minister for Children
...../...../2019

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Contact for telephone discussion if required:

Name	Position	Telephone		1st contact
Kristie Carter	Director, Child Poverty Unit	9(2)(a)	9(2)(a)	✓
Damian Edwards	Associate Deputy Secretary, Ministry of Education	N/A	9(2)(a)	
Maree Brown	Director, Child Wellbeing Unit	N/A	9(2)(a)	

Minister's office comments:

- ☐ Noted
- ☐ Seen
- ☐ Approved
- ☐ Needs change
- ☐ Withdrawn
- ☐ Not seen by Minister
- ☐ Overtaken by events
- ☐ Referred to

Confirming the scope and cost of a ‘Free School Lunch Programme’ Budget initiative

Background

1. 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’ (the ‘Free School Lunch’ programme) to the Treasury on 11 January 2019.
2. Officials from the Child Poverty Unit and the Ministry of Education worked together to develop the bid, which proposed 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) [REDACTED]
[REDACTED] Joint Ministers (Child Poverty Reduction, Education and Children) were updated on the details of the Free School Lunch Budget 2019 proposal on 18 January 2019 (DPMC 2018/19-791 / METIS 117443 refers).
3. Subsequently, the Minister for Child Poverty Reduction discussed the Free School Lunch Budget 2019 proposal with Department of the Prime Minister and Cabinet (DPMC) officials at their monthly meeting on 13 February. This discussion was supported by an Aide Memoire (DPMC-2018/19-889 refers), which was also copied to the Minister of Education and the Minister for Children.
4. At the meeting, the Minister for Child Poverty Reduction confirmed her intention to progress the proposal in Budget 2019, and provided officials with further direction on scope and timeframes for implementation. 9(2)(g)(i) [REDACTED]
[REDACTED]
 - 9(2)(g)(i) [REDACTED]
[REDACTED]
 - 9(2)(g)(i) [REDACTED]
[REDACTED]
 - 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED]

Confirming the objectives and design parameters for the initiative

Objectives for the policy

5. As indicated in our previous advice (DPMC 2018/19-791 / METIS 1174463 refers) and the Budget 2019 proposal submitted to the Treasury, the key objectives of this initiative are to:

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- Ensure that children have their basic needs met, by directly addressing food insecurity at school
 - Contribute to reduced material hardship and the impact of poverty on children in low income families.
 - Improve nutrition and intake of quality food by children in the targeted schools
 - Ensure flexibility at the school level around design and delivery, to best meet the needs of students and communities, and maintain or strengthen existing support from non-government partners
6. Officials are seeking Ministerial confirmation of these high level objectives in order to provide clear direction for the further work on policy and service design and support engagement and communication.

Design parameters

7. Consistent with the objectives outlined above, and directions previously provided by the Minister for Child Poverty Reduction, officials are also seeking Ministerial confirmation of the following design parameters:
- Targeted to the 20 percent of state and state integrated schools with the highest concentrations of disadvantage, as identified through the Ministry of Education's Equity Index (excluding private schools)
 - Targeted to Year 1 to 8 students only including in full primary, contributing primary, intermediate, special, secondary and composite schools (i.e. not available to year 9-13 students in composite and special schools; only available to year 7 and 8 students in secondary schools with years 7-13)
 - An expectation of universal provision (i.e. available to all Year 1-8 students) within targeted schools, in order to minimise the risk of stigma
 - Flexibility for schools to design and deliver free lunches in a way that best meets the needs of their students and community
 - An initial cost assumption of 9(2)(f)(iv), per student, per day, which is intended to cover all costs with no reliance on parent contributions, existing school operational running or staffing entitlements, financial or in-kind donations, or sponsorship from non-government sources
 - The provision of short-term 'start-up' support to schools, to assist them to establish a Free School Lunch programme for all their Year 1-8 students

Further work to be undertaken to explore opportunities for central government and local schools to work with non-government partners to leverage financial and non-financial support for the provision of free school lunches in targeted schools.

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Coverage of the initiative

8. These design parameters meant that the policy would cover approximately 493 schools, and 91,034 students once full implemented. Of these, approximately:
 - 51 percent are in main urban areas (population 30,000+)
 - 29 percent are in rural areas (population <300)
 - 20 percent are in secondary and minor urban areas.
9. Of the students within the target schools, approximately:
 - 60 percent of students are Māori, and
 - 20 percent of students are Pacific peoples.
10. Under these parameters, Year 9-13 secondary schools would be excluded from the initiative. We have also assumed that Te Kura | The Correspondence School is out of scope.
11. Officials have identified a number of composite, secondary and special schools whose student cohorts include students of both primary and intermediate levels (i.e. they are Year 1-13 or Year 7-13 schools). These schools could choose to opt into the initiative, with all Year 1-8 students being eligible for the free lunch. Under this approach, the profile of targeted schools would be:
 - 226 full (Year 1-8) primary schools (46% of all targeted schools)
 - 168 contributing (Year 1-6) primary schools (34% of all targeted schools)
 - 25 intermediate (Year 7-8) schools (6%)
 - 59 composite (Year 1-13) schools (12%)
 - 7 secondary (Year 7-13) schools (1%)
 - 8 special schools (1%)
12. The differential allocation of resources to students by year level is consistent with other resourcing arrangements that apply to composite schools. Participating secondary, composite and special schools could choose to provide lunches to their Year 9-13 students, but this would not be supported by additional government funding for this purpose. Officials are seeking your agreement to this approach.

Unit price per lunch

3. The Budget 2019 proposal submitted to Treasury assumed a unit cost (per lunch, per student, per day) of **9(2)(f)**. In previous advice we have noted that this would cover all input costs including raw ingredients, preparation, packaging, distribution, storage, administrative overheads (e.g. ordering, procurement and contract management), and profit margins (given that some schools may wish to contract with local or large-scale businesses to provide lunches).

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14. While there may be opportunities to leverage funding from non-government sources (e.g. through government or school-level partnership or matched-funding arrangements with private sector or charitable organisations), these have yet to be explored. Assuming a lower unit cost before confirming the feasibility of a cost-sharing approach is not advisable, and may create fiscal risks. The potential to achieve a lower per unit cost through financial and in-kind contributions from non-government sources, and the work required to explore this, are discussed in paragraphs 31 to 35 below.
15. Officials therefore recommend seeking funding for this initiative on the basis of the current unit cost of 9(2)(f)(iv) (9(2)(f)(i)) per student, per week). On this basis, the ongoing annual outyear cost of this initiative, following full implementation, would be 9(2)(f)(iv). The approach to rollout is the key determinant for actual costs in each financial year, and is discussed in more detail in paragraphs 17 to 24 below.
16. This Budget initiative would establish a tagged contingency, with funding drawn down once final operational and costing details have been confirmed. Should it be possible to deliver the initiative for a lower unit cost, officials would provide advice on the best approach to using any surplus funding (e.g. extending coverage, a more rapid rollout, augmenting the policy with additional service to reduce food insecurity in low income households; or returning any unspent funding to the consolidated account).

Approach to rollout

17. 9(2)(g)(i)
A staggered rollout will help phase the costs over the four year Budget period, and will provide an opportunity to identify and address any programme design and implementation issues in a managed way.

‘Learning by doing’ in a small number of schools in 2019

18. Officials propose that there be a very limited rollout to 10 schools in the second half of 2019. The primary purpose of this small-scale early implementation would be to support direct user involvement in the detailed design of the initiative, to inform the more comprehensive rollout from the start of 2020.
19. In order to begin working with these schools in the second half of 2019, the Ministry of Education and the Child Poverty Unit will need to act now to identify potential schools. We anticipate that these ‘early adopters’ of the Government’s Free School Lunch programme are likely to be schools that already have some arrangements in place to provide lunch to students (e.g. targeted based on identified need; or providing lunch to all students on one or two days a week).
20. Officials will approach identified schools as soon as practicable following Budget 2019 announcements, to test their interest in becoming ‘early adopters’ of the initiative. We will seek to involve a broad cross-section of schools in this phase of the rollout.

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Managed rollout from 2020

21. Following the initial phase of the rollout, officials propose that the coverage of the initiative be extended to all eligible schools in a managed way over the period 2020 to 2022. Full implementation would be achieved by the end of the 2022 school year, reaching 493 schools and an estimated 91,205 students.
22. We assume 100 percent take-up of eligible schools, and of students within those schools, as we currently have no information to hand to help identify the level of interest from school to provide a free universal lunch programme for their students. The implementation plan for this initiative will identify options for managing both excess demand, and low take-up as the rollout is progressed.
23. Further work is also required to identify the best approach to rolling out the policy. There are a range of options including: a region-by-region basis; on the basis of measured disadvantaged, or on an opt-in basis. Officials will provide Ministers with further advice on the recommended approach to rollout by October 2019.

Indicative financial implications of a staggered rollout

24. The following table presents information about what this rollout approach could look like, and the way in which costs would fall across financial year.

Financial Year	2019/2020		2020/2021		2021/2022		2022/2023	
School Term	3 - 4	1 - 2	3 - 4	1 - 2	3 - 4	1 - 2	3 - 4	1 - 2
Number of schools	10	50	100	250	400	493	493	493
% of eligible schools	2%	10%	20%	50%	80%	100%	100%	100%
Estimated No. of students	1,770	8,850	17,900	44,750	72,800	91,205	91,205	91,205

9(2)(f)(iv)

Service design and support costs

25. Significant detailed design work is required to implement a Free School Lunch programme, should it be funded in Budget 2019. This would be undertaken over the second half of 2019, through further policy work by officials, face-to-face work with the ten early-adopter schools, and engagement with other stakeholders and external experts (e.g. in areas such as nutrition, procurement, catering and distribution). This phase of work would be led by a small project team and would inform the development of advice on the operational details of the programme, the approach to rollout, and schools' implementation support needs.
26. We have previously noted that many low decile schools, community organisations and businesses are already working together provide free lunches to students with different approaches adopted in different schools. These programmes tend to provide lunch to only some students in a school, or offer lunch on only a few days a week. The Free School Lunch programme proposed in this briefing, if implemented, would operate at a scale well beyond that delivered by existing programmes. It will require a significant scaling up and re-design of these programmes, as well as the establishment of new programmes in many schools.
27. Officials therefore recommend that the rollout of this initiative be supported by the provision of short-term advice and support to schools. Following the initial service design phase, officials propose that a small team of advisors to assist schools work through the range of actions required to put in place a free school lunch programme. These actions include: assessing student and parental preferences and needs; identifying and establishing a preferred delivery model; identifying potential partners (food providers); establishing partnership or contractual relationships with external parties (and / or employ additional staff); and navigating relevant government procurement, funding, monitoring and regulatory settings.
28. The short-term nature of this support means that the number of full-time equivalent (FTE) advisors would scale up as the initiative is rolled out, and then phase out as it becomes embedded in schools. The indicative cost of this short-term support over the four year funding period is 9(2)(f)(iv)

Details to be worked through to operationalise the policy

29. Further work is needed on a number of key operational design elements of this policy. These include:
- The operating and capital funding mechanisms. For example, funding could be provided through tagged line item in schools' operational funding; via some form of regional distribution mechanism, or on a reimbursement basis up to a specified amount.
 - The approach to monitoring and accountability. This would be closely related to the funding mechanism that is adopted.
 - The approach to rolling out the policy. Options here include on a geographical needs or opt-in basis
 - The level of flexibility schools will have in implementing the policy (e.g. cope to offer lunches on some rather than all days per week)
 - How the implementation and impact of the initiative will be evaluated
 - Long-term implications for existing government food in schools programmes (e.g. Fruit in Schools), and of the wider education reform programme.
30. Should this initiative be successful in securing funding, officials will provide further advice to Ministers by October 2019 on options in each of these areas, and associated risks and benefits. This advice will be informed by the additional information and expertise we are able to draw on as a result of initial discussions with key stakeholders, and from the limited rollout in ten schools in the second half of 2019.

Further work to explore co-funding arrangements

31. One of the identified objectives for this initiative is to maintain or strengthen existing food in schools programmes. In previous advice to Ministers, officials noted the considerable financial and non financial support (e.g. free and subsidised food, labour, distribution) for existing food programmes in schools. DPMC officials have also noted that, should Ministers wish to reduce the cost of this initiative, partnership arrangements between Government and businesses (such as exists with the KickStart breakfast programme) and / or philanthropic organisations could be explored.
32. As discussed earlier (paragraphs 13-16) we have assumed a unit cost (per lunch, per student per day) of up to 9(2)(f) 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED].
33. We intend to identify and assess a range of different opportunities for partnership and co-funding, to build off existing arrangements, and provide flexibility for schools to choose what works for them. This could involve the 'start-up support service' helping schools to identify and establish partnership local arrangements. We will also explore opportunities for

partnership arrangements between central government and business and/or philanthropic organisations.

34. Officials will undertake this work during the second half of 2019, as part of the initial work with ten 'early adopter' schools, and through confidential discussions with school leaders, businesses non-government organisations (discussed in paragraphs 36 to 39 below).

Confidential discussions with a small number of stakeholders and experts

35. Officials are seeking Ministerial agreement to have discussions with small number of school leaders, and representatives from private sector and non-government organisations. These discussions would be held on a confidential basis, the details of which would be specified in signed non-disclosure agreements with the parties concerned.
36. The purpose of these discussions would be to gather information and draw on expertise to inform the detailed operational design and rollout of the initiative. They would also inform further work regarding the potential opportunities, risks and benefits of leveraging financial and non-financial contributions and support from non-government sources.
37. In order to progress this initiative within the specified timeframes, officials will need to initiate high level discussions after final Budget decisions but prior to Budget day on 30 May 2019. We would not disclose the details of the potential Budget initiative, and would make it clear that all matters under discussion are subject to final Budget decisions.
38. Officials would keep Ministers informed about the parties that we enter into confidential discussions with, and the outcomes of these discussions.

Next Steps

Budget 2019 process and timeframes

39. Cabinet Social Wellbeing Committee (SWC) is due to consider the first draft Priority D (Child Poverty and Child Wellbeing) package of Budget initiatives at their meeting on 6 March 2019, with Cabinet due to consider the final Budget package on 15 April.
40. Joint Ministers will need to agree whether this initiative is included in the broader Priority D (Child Poverty and Child Wellbeing) Budget package. It would be useful if this was done prior to the SWC discussion of the draft package on 6 March.

Budget 2019 communications

41. Should the Free School Lunch programme be successful in securing funding in Budget 2019, it may not be appropriate to announce some of the details in the Budget, as they will be subject to further work and/or commercial sensitivity.
42. For example, it may not be appropriate to announce the amount of funding on a per-student, per-day basis (and therefore the overall contingency amount) in advance of

further work with schools, potential non-government partners, and/or existing providers. In particular, it would be preferable to avoid implying an 'anchor' price-point before we can confirm (a) the unit price on which this policy is costed, and (b) what could be leveraged through co-funding arrangements with non-government partners.

43. Our initial advice is that the objectives and parameters of the initiative, the timeframe for the rollout (including the number of schools and students), could all be announced as part of Budget 2019, but that Budget communications should note that the operational details, including level of funding held in contingency, are subject to further work.

Timeline for further work

44. Subject to final budget decisions, the following is an indicative timeline for undertaking the further work outlined in this paper:
- **End of July 2019:** Identification of ten 'early adopter' schools to test different approaches and refine the operational aspects of the policy.
 - **Early-mid October 2019:** Report back to joint Ministers on lessons learnt through initial work with schools and through engagement with business and non-government organisations. Identification of decisions that can / must be taken now and what is still subject to further work.
 - **December 2019:** Report to joint Ministers on the implementation / rollout plan for 2020, provide advice and seek decisions on outstanding operational design details. Seek agreement to drawdown remaining tagged contingency funding for 2019/20, and a proportion of 2020/21 funding.