

ELIGIBILITY FOR FREE SCHOOL MEALS AND THE EARLY YEARS PUPIL PREMIUM UNDER UNIVERSAL CREDIT

1. Do you agree with our proposed net earnings threshold to determine eligibility for free school meals and the early years pupil premium under Universal Credit?

We welcome the opportunity to respond to the Government consultation proposing an earnings threshold to determine eligibility to free school meals.

CRITIQUE OF THE CURRENT PROPOSAL

It is Policy in Practice's view that the proposal, as it stands, does not meet the objectives of Universal Credit.

An earnings threshold creates a sharp 'cliff edge' meaning that work will not pay for families earning just beyond the threshold. This cliff-edge is significant and magnified by the fact that parents will have to pay for their child's meal from post-tax, post-Universal Credit withdrawal income.

Number of children	Annual cost of free school meal ¹	Increase in gross earnings required to make up for withdrawal of free school meals	
		Under Universal Credit	Off Universal Credit
1	£370	£1,000	£545
2	£740	£2,000	£1,090
3	£1,110	£3,000	£1,635
4	£1,480	£4,000	£2,180

A family with three children would need to earn an additional £3,000 to make up for the loss of free school meals. This means that a 40% increase in their gross earnings from just below the proposed £7,200 threshold would leave them no better off.

Earnings thresholds have already been introduced for eligibility to free prescriptions. The cumulative effect of these thresholds will mean that many families will be better off with reduced earnings.

The following case study shows that a family with three children earning £7,500 per annum would be approximately £400 worse off a year compared to a family earnings £7,000 per annum.

¹ Cost of provision of free school meals range from £350 to £420 depending on the source of the information. These figures presume a £370/annum cost.

Case Study: A family earning £7,500 per annum is circa £400 worse off compared to a family earning £7,000 per annum

Lone parent with 3 children earning £7,000 per annum		Lone parent with 3 children earning £7,500 per annum	
Universal Credit	£940.85 / month	Universal Credit	£914.60 / month
Child benefit	£208.43 / month	Child benefit	£208.43 / month
Earnings	£583 / month	Earnings	£625 / month
		School meals cost	(£92.50 / month)
Annual net income	£20,291 / annum	Annual net income after school meals	£19,866 / annum

In addition, eligibility to free school meals currently acts as a passport to other support, such as free school transport, help with school clothing, trips, or music lessons. This means that the 'cliff edge' may be much higher than if meals alone are considered. This is illustrated in the example below.

Earnings threshold: The 'cliff edge' effect, including school meals and school transport

Lone parent with 3 children and £600 per annum school transport costs per child

Earning £7,000 per annum		Earning £7,500 per annum	
Annual net income	£20,291 / annum	Annual net income after school meals and transport costs	£18,066 / annum

If a family with 3 children, earning £7,500 per annum, had to pay for school transport at a cost of £600 per child per annum, they would be worse off by £2,200 worse per annum compared to family earning £7,000 per annum.

As the number of children benefiting from free school transport is determined by localised policy decisions it is difficult to determine how many families benefit from passported access to school transport. However, for those households who are affected, the cost will be significant.

POLICY IN PRACTICE'S PROPOSED SOLUTION: PARTIALLY FUNDED FREE SCHOOL MEALS

Extending free school meals to all those in receipt of Universal Credit would provide meals for an additional 1 million primary school children and 870,000 secondary school children. This excludes those primary school children added between 5 to 7 years old, eligible for Universal Free School Meals. This approach would cost the Government £692m per annum².

² 1.87m children multiplied by £370/annum FSM provision

Extension of eligibility criteria does not mean that the Government need necessarily cover the full cost, or that all families will opt for school meals. Inclusion of an earnings threshold could be part of a wider solution, thus ensuring protection for the very poorest households.

Contribution towards the cost of free school meals could be withdrawn as income rises. This could be simply achieved by allowing parents with income above the earnings threshold to opt-in to partially funded school meals, through a question like the one below.

Would you like to keep your school meals at a cost of £15.12 per month if your earnings rise above £7,200 per annum? Yes / No

Households who opt in could have their work allowance within Universal Credit reduced by a specified level for each child. The illustration below uses an example of work allowance withdrawal of £24 per month per child as this equates to equal contributions from the family and the Government.

An alternative option: Partially funded school meals

Under Universal Credit the claimant can retain some earned income before earnings reduce Universal Credit (the 'work allowance'). Partial reduction in the work allowance could be a mechanism to enable parental contribution to school meals.

- The current work allowance is £192/month with housing costs or £392/month without housing costs
- Free School Meals are worth £370/annum or £30.83/month
- For every £1 reduction in work allowance a household will lose £0.63

For the cost of school meals to be shared equally between the Government and the household, the work allowance would need to be reduced by approximately £24/month for each child. Universal Credit for the household would be reduced by 63% of this reduction in work allowance.

In effect, the household's contribution to free school meals would be £15.12 per month per child, leaving the remaining £15.71 per month per child to be met by the Government.

This solution would cost the Government an additional £352m per annum if all qualifying children took up the option for partially funded school meals. However, many families may decide to not opt for partially funded meals.

The percentage of eligible households who take up free school meals is difficult to ascertain nationally. That said, data from City of York³ shows that, in that local authority area, take up is 79% for primary school children and 76% for secondary school children. If this level of take up

³ <https://data.yorkopendata.org/dataset/free-school-meals/resource/03b0ae33-f6fe-4431-94f8-4b811c8921ba>

was replicated nationally, the cost to the Government would be approximately £273m.

If households were required to partially fund school meals it is likely that take up, and therefore cost, would be reduced. This solution mitigates against the cliff-edge effect. It means that work incentives are broadly the same as if free school meals were withdrawn as people come off Universal Credit.

Partially-funded school meals above earnings threshold

Lone parent with 3 children			
Earning £7,000 per annum		Earning £7,500 per annum	
Universal Credit	£940.85 / month	Universal Credit	£869.24 / month
Child benefit	£208.43 / month	Child benefit	£208.43 / month
Earnings	£583 / month	Earnings	£625 / month
		School meals cost	(£92.50 / month)
Annual net income	£20,291 / annum	Annual net income after earnings reduction due to contribution to cost of school meals	£20,432 / annum

Using work allowances in conjunction with an earnings threshold would ensure protection for the poorest families, create eligibility criteria for associated support for all families in receipt of Universal Credit, and would help to maintain the integrity of Universal Credit by ensuring that for most households, extension of work, would pay.

CONCLUSION

- Extending eligibility for Free School Meals to all children in Universal Credit households (excluding those eligible for Universal Free School Meals), would reach an additional 1.32m⁴ households containing 1.87m children. It would cost £692m.
- The cost could be substantially reduced by using the earnings disregard mechanism within Universal Credit to partially fund meals for those above the earnings threshold.
- Reducing the household disregard by £24 per month per child would mean the households in work could contribute approximately 50% of the cost of a school meal.
- The cost to the Government would fall to around £352m if all parents took up this option but it is likely a significant percentage would not opt for partially funded meals, thus reducing the total cost. If current take up rates, based on those from one local authority, were replicated, the cost would be approximately £273m. However, if parents were partially funding the meals it is likely that the take-up, and hence the cost, would be substantially lower.
- Work incentives remain high using this mechanism.

⁴ This figure corresponds to the number of households with children of primary or secondary school age that are earning above £7,400/annum and who are eligible for Universal Credit, according to data from the Family Resources Survey (FRS) for 2015/16.

2. Do you agree with our intention to protect those pupils who would otherwise lose their entitlement to free school meals, and those children who would otherwise lose their entitlement to the early years pupil premium, under the new eligibility criteria?

Yes. Given the impact of the withdrawal of Free School Meals on household income and future strategic planning within schools, current eligibility should be protected.

3. Do you feel that the proposals in this consultation may adversely affect any children who share one or more of the relevant protected characteristics outlined in the Equality Act 2010?

We have not considered a response to this.

4. Do you have any views on the proposed management of the changes to the disadvantage measures or on the metrics we publish for the measurement of disadvantaged pupils' performance?

We have not considered a response to this.

ABOUT POLICY IN PRACTICE

Policy in Practice was founded by one of the architects of Universal Credit to make the benefit system simple for people to understand and organisations to administer.

Our social policy software and analytical services are being used by over fifty local authorities to show the combined current and future impacts of changes in government policy, to track the impact of policy changes on behaviour and outcomes, and to target support to individual households in a fast and engaging way.

We recently brought together 'leading lights' in the field of welfare policy and practice to discuss constructive ways in which the DWP and local organisations could improve the implementation of Universal Credit.

Thank you for taking the time to consider this evidence which we hope helps you with your decision making. For further information please contact Deven Ghelani who would also be pleased to present this evidence in person.

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