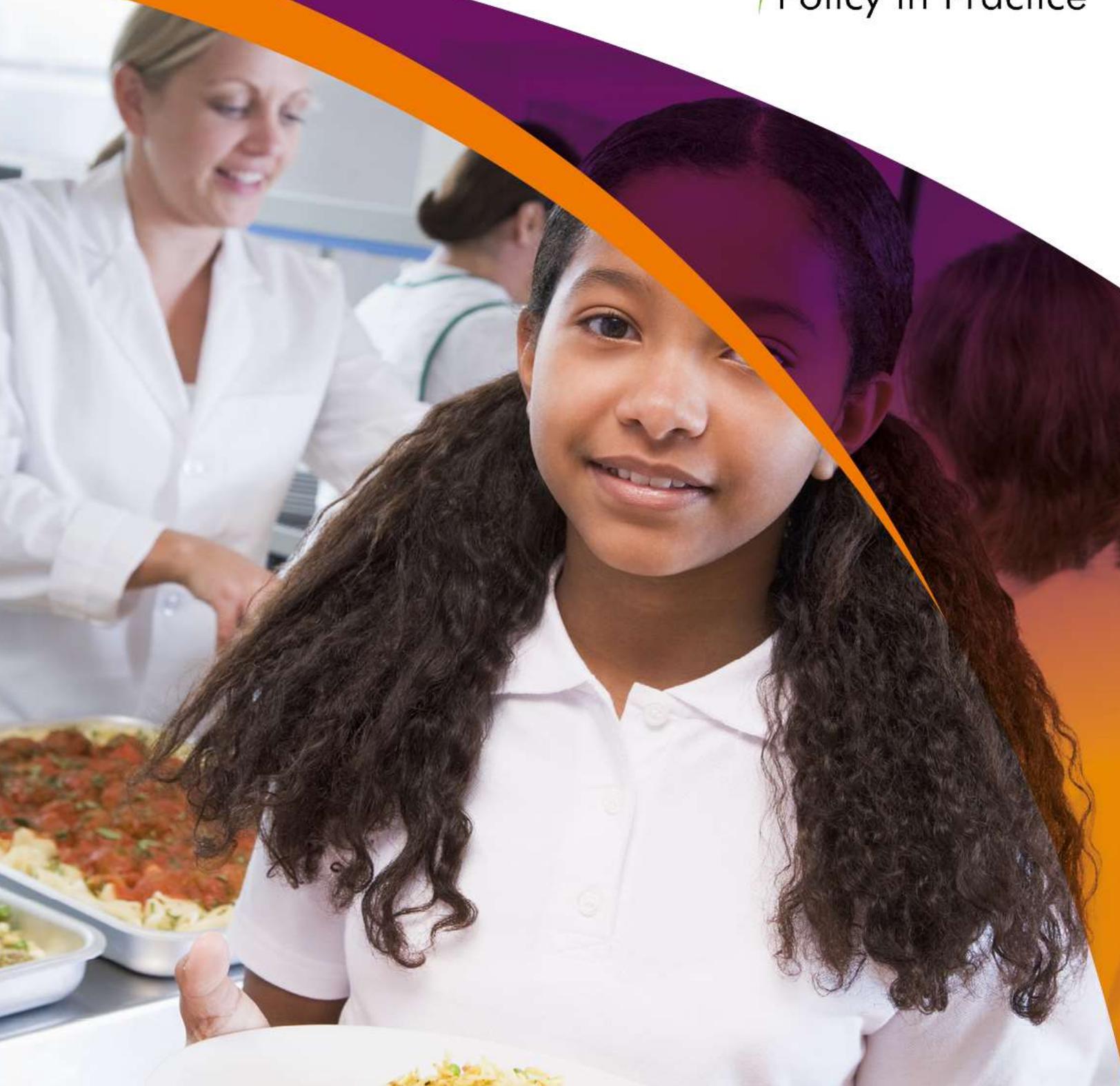


Expanding the provision of Free School Meals in Wales

May 2021

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Extending the provision of Free School Meals in Wales

Report to the Bevan Foundation and the Wales Anti-Poverty Coalition

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Executive summary

Free School Meals (FSM) have been shown to assist with solving child poverty and household food insecurity, minimising health inequalities, and boosting educational attainment. They can ensure that children receive a nutritious meal during the school day whilst helping to reduce expenditure on food for low income families.

As part of its research into the role of the Welsh benefit system in lifting children out of poverty, the Bevan Foundation found that thousands of families living in poverty did not receive FSM. New eligibility criteria were introduced in April 2019 which set an earnings threshold of £7,400 per year for households receiving Universal Credit. This created a cliff-edge that meant households with children earning just below the threshold would be better off than if they earned just above the threshold, as their loss of FSM would not be compensated by their additional income¹.

The Bevan Foundation and the Wales Anti-Poverty Coalition have commissioned Policy in Practice (PiP) to conduct research to ascertain the potential cost to the Welsh Government, as well as the impact on low income households, of extending FSM eligibility. This research will evaluate:

1. The cost of **extending provision** to all primary school children of parents in receipt of Universal Credit (with no earnings limit), as well as those potentially eligible for Universal Credit after migrating from legacy benefits.
2. The cost of **extending provision** to all secondary school children, up to age 16, of parents in receipt of Universal Credit (with no earnings limit), as well as those potentially eligible for Universal Credit after migrating from legacy benefits.
3. The **impact on households** of extending FSM to the two groups above, in terms of reduced food purchasing costs. This can be used to inform other work on associated health outcomes and savings in the longer term.
4. The cost of **universal provision**, irrespective of benefit eligibility or household income, to all primary school pupils.
5. The cost of **universal provision**, irrespective of benefit eligibility or household income, to all secondary school pupils up to age 16.

Policy in Practice has access to administrative datasets in respect of Housing Benefit and/or Council Tax Reduction claimants for 19 Welsh local authorities as of September 2020. These datasets were previously collected to inform research undertaken by PiP

¹ <https://drive.google.com/file/d/1vg2Z6hD83alJMp5zMk2R8NolvC7ZYwP5/view?usp=sharing>

for the Welsh Government on the impact of Covid-19 on Council Tax Reduction in Wales. This data has made it possible to model the impact of extending FSM provision using Policy in Practice's in-house policy microsimulation engine, known as the [Benefit and Budgeting Calculator](#).

The cost to the Welsh Government of extending FSM eligibility is estimated based on the value of FSM funding provided to schools by local authorities in England (£2.30 per meal for the year 2020/21), and is uprated in line with CPI inflation to reflect the likely increase in 2021/22. The daily amount is calculated from the value of the supplementary FSM grant of £450 per pupil per annum, which is intended to cover all the costs of provision, including administration.

Savings for eligible households are based on the value of FSM vouchers provided during Covid-19 school closures in Wales. These were worth £3.90 per meal for the year 2020/21 and are uprated in line with CPI inflation to reflect 2021/22 prices. These are at a higher level than costs to the Welsh Government due to the inability of individual households to benefit from economies of scale and to factor in the cost of breakfast.

Our projections of costs and savings have been adjusted to take account of assumed take-up rates. Unless stated otherwise, results are calculated over a 39-week school year.

Key Findings

The cost of FSM to the Welsh Government under the current scenario² is £38.9M per year.

Our modelling estimates that extending provision to children of all households receiving Universal Credit would increase the total cost by £10.5M per year, to £49.5M. This includes:

- A total cost of £31.5M per year for provision to primary school children, an increase of £6.8M.
- A total cost of £18.0M per year for provision to secondary school children, an increase of £3.8M.

² This assumes all households in receipt of previous 'legacy' benefits have migrated to Universal Credit. See Results section for details.

- 99%³ of low-income households with children in Reception to Year 11 would be eligible for FSM, up from 78% under current rules.
- 16,400 households would become newly eligible.
- The savings to newly eligible households, based on a CPI-adjusted value of £3.90 per meal, would be worth an average of £1,280.59 per year, or £764.30 per child per year. This would total £20.9M per year if all households take up FSM, or would range between £16.9M and £18.4M at reduced take-up rates (81% and 88% respectively).

Extending FSM eligibility to all households, irrespective of household income or benefit eligibility, would increase the cost to the Welsh Government by £140.7M per year, to a total of £179.6M. This includes:

- A total cost of £110.7M per year for provision to primary school children, an increase of £86.0M.
- A total cost of £68.9M per year for provision to secondary school children, an increase of £54.6M.
- 312,000 children that would become newly eligible.

This research has a narrow focus on the monetary costs to the Welsh Government and savings to households of FSM provision, and does not account for the current cost of FSM provision under transitional protection rules. Whilst the findings enable detailed consideration of the financial costs and benefits of extending FSM eligibility in Wales, they do not quantify the other benefits that can be achieved through FSM provision, including solving food insecurity, boosting educational attainment, increasing working hours for predominantly low-paid school catering staff, and supporting Welsh supply chains if procurement is kept local (thereby boosting local economies). Our findings, in conjunction with these wider benefits, suggest a considerable return on further investment in FSM provision by the Welsh Government. Any policy recommendations may thus need to consider the costs and savings of FSM extension estimated here alongside other potential benefits.

Introduction

The Bevan Foundation and the Wales Anti-Poverty Coalition have commissioned Policy in Practice to conduct research on extending the provision of Free School Meal (FSM) in Wales. This report focuses on assessing the financial cost to the Welsh government

³ The 1% that are not eligible corresponds to households receiving Housing Benefit or Council Tax Support that do not qualify for Universal Credit due to income.

of extending access to FSM (taking into account savings due to economies of scale), as well as the impact on low-income households⁴, for the following scenarios:

1. The cost of **extending provision** to all primary school children of parents in receipt of Universal Credit (with no earnings limit), as well as those potentially eligible for Universal Credit after migrating from legacy benefits.
2. The cost of **extending provision** to all secondary school children up to age 16 of parents in receipt of Universal Credit (with no earnings limit), as well as those potentially eligible for Universal Credit after migrating from legacy benefits.
3. The impact on households of extending FSM to the two groups above, in terms of savings due to reduced food purchasing costs. This can be used to inform other work on associated health outcomes and savings in the longer term.
4. The cost of **universal provision**, irrespective of benefit eligibility or household income, to all primary school pupils.
5. The cost of **universal provision**, irrespective of benefit eligibility or household income, to all secondary school pupils up to age 16.

FSM in Wales are currently available to school children (including sixth form pupils and children who attend state nursery for full days) of parents who receive one of a number of benefits that act as a passport for further support. These include Income Support, income-based JSA or ESA, support under Part VI of the Immigration and Asylum Act 1999, or the guarantee element of Pension Credit. Households in receipt of Child Tax Credit⁵ that do not receive a passported benefit are also eligible for FSM if they have an annual gross income of no more than £16,190.

These legacy benefits are being replaced by Universal Credit and eventually all households in receipt of legacy benefits will move to Universal Credit. Children of parents receiving Universal Credit are currently eligible for FSM if the household's net earned income is not more than £7,400 per year. In response to the Covid-19 pandemic, the Welsh government expanded provision to cover school holidays and school closures.

⁴ 'Low-income household' is used throughout this report to refer to working-age households that are in receipt of Council Tax Support, Housing Benefit and/or Universal Credit.

⁵ Eligibility based on Child Tax Credits requires that parents are not also entitled to Working Tax Credit. Households in receipt of the Working Tax Credit run-on are also eligible for FSM on a passported basis.

Background

Existing research (see below) indicates that FSM can be a vital tool for solving food insecurity, minimising health inequalities, and boosting educational attainment. Children in receipt of FSM are guaranteed one healthy meal per day during term time, ensuring that they do not go hungry during the school day. FSM can also strengthen the financial resilience of low-income families by reducing the amount of income required to meet food purchasing costs.

Demand and eligibility for FSM has increased as a result of the Covid-19 pandemic⁶⁷. During school closures due to the pandemic, eligible children in Wales have continued to receive FSM equivalents in the form of packed lunches, food parcels, or weekly payments, depending on the local authority. This means that eligible children have now received FSM for 52 weeks of the last year, extending the 39 weeks over which FSM are usually provided.

Initial rollout of Universal Credit included FSM for all children from households in receipt of the benefit. In April 2019 new eligibility criteria were introduced that set a net earnings threshold of £7,400 for households in receipt of Universal Credit. Since then, transitional protection has been in place to ensure that children who would have lost their access to FSM under the new criteria continue to receive them during the Universal Credit rollout.

Evidence submitted by Policy in Practice to the Department for Education in 2017 showed that the earnings threshold created a 'cliff-edge' for families on Universal Credit earning just below the threshold, as any increase in income would make them worse off as a result of losing access to FSM⁸. This effect is even stronger in areas where FSM eligibility serves as a passport to other support measures, such as free school transport or help with school clothing or trips. One of the major objectives of Universal Credit was to prevent cliff-edges in support and so ensure that work always pays. Extension of FSM to all Universal Credit households would help to realise this objective.

There are three key protected groups under transitional protection:

⁶ <https://foodfoundation.org.uk/demand-for-free-school-meals-rises-sharply-as-the-economic-impact-of-covid-19-on-families-bites/>

⁷ <https://commonslibrary.parliament.uk/spring-term-2021-how-covid-19-affected-englands-state-funded-schools/>

⁸ <https://drive.google.com/file/d/1vg2Z6hD83alJMp5zMk2R8NolvC7ZYwP5/view?usp=sharing>

- The first group includes children eligible for FSM on 1 April 2019 and will continue to receive FSM until 31 December 2023.
- The second group includes children that become eligible between 1 April 2019 and 31 December 2023, and will also continue to receive FSM until 31 December 2023.
- The final group, which will cover children that are eligible on 31 December 2023, will continue to receive FSM until the end of their current school phase (i.e. primary or secondary). This extended eligibility will remain even if the parents' circumstances change, meaning that for some families one of their children may be eligible for FSM whilst others will not.

Due to the second rule listed above, the number of children that are transitionally protected will increase over time and will have already risen due to the economic fallout of the Covid-19 pandemic. This means that by 2021/22, some children will already be eligible for FSM on a quasi-universal basis (see Annex for further discussion of transitional protection).

The wider context regarding Free School Meals in the United Kingdom

FSM, and the wider issue of child food poverty, have received increased political and media attention during the Covid-19 pandemic. This is partly due to the campaign led by the footballer Marcus Rashford that highlighted the importance of FSM across the UK.

Current eligibility for FSM in Wales is similar to that in England, with some notable differences:

- England has universal provision for children in Reception - Year 2 (compared to means-tested provision in Wales).
- England has no FSM provision for nursery-age children, whereas Wales has means-tested provision.
- The new eligibility criteria restricting FSM provision for households in receipt of Universal Credit to those earning less than £7,400 per annum came into effect in England on 1 April 2018 (compared to April 2019 in Wales).
- In England transitional protection will end when a child completes the stage of education they are in on 31 March 2022.

Northern Ireland also has similar eligibility criteria, although the net earned income threshold for households in receipt of Universal Credit is £14,000 per annum, rather than £7,400.

By August 2022, Scotland will become the first nation in the UK to offer universal FSM to all primary school children. This support will be phased in, beginning with extending eligibility from primary levels 1-3 to level 4 in August 2021, level 5 in January 2021 and levels 6 and 7 in August 2022.

Wales therefore has the least generous FSM eligibility criteria of all the UK nations under current rules. The Child Poverty Action Group (CPAG) have shown this means that more than half of children in Wales who live in poverty were ineligible for FSM⁹ prior to the pandemic.

Exploring the benefits of FSM on the local economy (for example, if incorporated into a more comprehensive plan of economic regeneration), as well as its educational and health impacts, is outside the scope of this report. However, there is a wide range of literature in support of these considerations. Research by the National Organisation for Local Economies showed that supply-chains can strengthen the local economy when local forms of economic activity are encouraged by local authorities¹¹. Extending FSM expands the scope for local authority involvement in procurement, which can be used to promote local provision and stimulate the local economy.

An IFS report¹² found that a pilot scheme in England extending FSM provision to all primary school children boosted educational attainment in disadvantaged areas, and abating child hunger has been shown to improve alertness¹³. Academics from the University of Essex¹⁴ have found that universal FSM provision helps to reduce childhood obesity rates, whilst evidence from trials in Hull and Scotland¹⁵ show that FSM can improve children's health, help to tackle health inequalities, and avoid a poverty trap for parents trying to move into employment.

⁹ <https://cpag.org.uk/sites/default/files/files/policypost/CPAG%20FSM%20policy%20briefing%20-%20Cymru%20-%20December%202020.pdf>

¹⁰ <https://cpag.org.uk/sites/default/files/files/policypost/CPAG-briefing-for-MPs-and-MSs-on-expanding-FSMs-English.pdf>

¹¹ <https://cles.org.uk/wp-content/uploads/2016/10/Anchor-institutions.pdf>

¹² <https://www.ifs.org.uk/publications/6279>

¹³ <https://www.nature.com/articles/ejcn2010150>

¹⁴ <https://www.nuffieldfoundation.org/news/universal-free-school-meals-winning-in-the-fight-against-childhood-obesity>

¹⁵ https://www.sustainweb.org/childrensfoodcampaign/free_school_meals/

Research evidence also suggests that, if eligibility for FSM is to be extended, the type of extension is important. The IFS study (mentioned above) evaluated two pilot schemes of FSM extensions, carried out between 2009 and 2011. The first extended provision to all primary school students, whilst the second extended provision to children of parents in receipt of Working Tax Credit on a means-tested basis (with an annual income not exceeding £16,040 in 2009-10 and £16,190 in 2010-11). The universal scheme saw high take-up of the offer of FSM, shifts towards healthier eating at lunchtime and had a significant positive impact on educational attainment. In contrast, the extended scheme had limited take-up, saw little impact on children's eating habits and did not significantly improve educational outcomes.

This indicates that the cost-effectiveness of FSM extension depends on the type of provision, and that the potential benefits of extension are not simply a factor of the costs put in but may also be determined by other aspects such as perception and visibility among parents and children.

It is worth noting that the study also examined the efficiency of the pilot schemes by estimating the 'deadweight' costs of each scheme, i.e. the costs associated with providing meals for children whose parents would have paid for them in the absence of the pilot. These deadweight costs were estimated at around one third and just under a half of the total running costs in the two universal pilot areas, and just over one third in the extended pilot area. Such costs must be weighed against the benefits of universal FSM extension.

Our approach

Policy in Practice has access to administrative datasets in respect of Housing Benefit and/or Council Tax Reduction claimants for 19 Welsh local authorities as of September 2020, collected to inform research previously undertaken for the Welsh Government on the impact of Covid-19 on Council Tax Reduction in Wales¹⁶. Policy in Practice obtained permission from councils to use this data for research into FSM provision. Although councils do not administer Universal Credit, households in receipt of Universal Credit are included in these datasets if they are also in receipt of Council Tax Reduction or Housing Benefit. Because not all households in receipt of Universal Credit are captured in these datasets, household-level weights are used (noting that some residual bias will inevitably remain). To ensure results represent all 22 local authorities in Wales, extrapolation is also used (see Annex for full methodological details).

The administrative datasets mentioned above enable Policy in Practice to model the impact of extending FSM provision. This analysis will be conducted using Policy in Practice's in-house policy microsimulation engine, known as the [Benefit and Budgeting Calculator](#), principally to calculate eligibility for Universal Credit for households that are yet to migrate from legacy benefits (more information is provided in the Data and Methodology section below).

To model the impact of universal FSM provision, open-source data for pupils in maintained schools is used (Pupil Level Annual School Census (PLASC) 2019/20)¹⁷.

The unit cost to the Welsh government of each meal in each scenario is estimated in line with the value of FSM funding provided by local authorities in England (£2.30 per meal for the year 2020/21), uprated in line with CPI inflation to reflect the likely increase in 2021/22. This amount is calculated from the value of the supplementary FSM grant of £450 per pupil per annum, which is intended to cover all the costs of provision, including administration¹⁸.

The total cost of FSM provision in the current and extended scenarios is calculated over the school term and is adjusted by an assumed take-up rate of 88% for primary school pupils and 81% for secondary school pupils. In the universal scenario, take-up is

¹⁶ The interim report can be found [here](#).

¹⁷ <https://statswales.gov.wales/v/JeIO>

¹⁸ Basing unit costs on the value set in England is consistent with the Welsh Government's approach when [consulting](#) on changing the eligibility criteria for FSM in 2018.

assumed to increase to 100% and 92% respectively. Details and limitations to this approach can be found in the Annex.

Whilst examination of the adequacy of cost level is outside the scope of this report, it may warrant further inspection when considering which type of extension would be the most effective. Some issues worth noting are:

- There is some evidence that £2.30 can be insufficient to cover all the costs of FSM in some regions¹⁹. This includes areas where labour costs are higher, as well as smaller schools in more rural areas where there is less scope for economies of scale.
- Widening the eligibility for FSM may also boost opportunities for economies of scale, ensure greater value for money from initial capital spends and reduce administration costs.

Savings for eligible households are estimated based on the value of Free School Meal vouchers provided during Covid-19 school closures in Wales. These were worth £3.90 per meal for the year 2020/21 and will be uprated in line with CPI inflation to reflect 2021/22 prices. These are at a higher level than costs due to the lack of economies of scale and to factor in the cost of breakfast.

¹⁹ <https://theconversation.com/is-2-30-enough-to-cover-the-cost-of-a-free-school-meal-24092>

Results

The following sections present the costs and benefits of providing Free School Meals under current eligibility rules, extended provision (all current and future households in receipt of Universal Credit) and universal provision (all primary and secondary school children up to age 16). Unless stated otherwise, costs are adjusted for assumed take-up rates and are calculated over the 39-week school term.

The cost of providing Free School Meals under current eligibility rules

This section estimates the cost of providing FSM under current eligibility rules, taking into account assumed take-up rates and assuming that all working-age households currently in receipt of legacy benefits migrate to Universal Credit in 2021/22. This scenario is referred to as the 'current scenario' and is used as a benchmark to evaluate the costs of extended and universal provision.

In the current scenario, the provision of FSM for primary and secondary school children in Wales is estimated to cost £38.9M per annum. Costs break down in line with the number of children in each age-group, with more than 60% of the total cost (£24.7M) required to cover primary school children. This corresponds to a total of 62,200 children, of which 54,800 are expected to take up FSM. Among primary school children, costs for older pupils are greater than costs for younger pupils (£13.9M for Year 3 - Year 6, compared to £10.7M for Reception - Year 2), again reflecting the smaller size of the latter group.

The remaining £14.2M of the total cost is in respect of secondary school pupils. This group is made up of 39,000 eligible children and 31,600 children that are both eligible and expected to be taking FSM.

Before accounting for take-up, the proportion of children eligible for FSM is similar for primary school children and secondary school children: 77.6% of primary school children and 77.9% of secondary school children living in low-income households.

If FSM were to be provided for an extended period of 52 weeks, the total cost of provision in the current scenario would increase by £13.0M per annum (compared to provision over 39 weeks). This corresponds to a total estimated cost of £51.9M; £32.9M for primary school children and £19.0M for secondary school children.

Table 1: FSM under current eligibility (all households migrated): number of children eligible and cost, by age group

	Total children in low-income households	Number of children		Cost (per annum), take-up adjusted
		Total eligible	Adjusted for take-up	
Primary school	80,191	62,249	54,779	£24.7M
Reception-Y2	34,922	27,092	23,841	£10.7M
Primary Y3-Y6	45,269	35,157	30,938	£13.9M
Secondary Y7-Y11	50,114	39,029	31,614	£14.2M
Total primary and secondary school	130,305	101,278	86,392	£38.9M

The cost of extending Free School Meals to all households in receipt of Universal Credit

This section considers the cost of providing FSM to households with children in Reception to Year 11 that are in receipt of (or would be eligible for) Universal Credit. This takes into account assumed take-up rates and treats all working-age households currently in receipt of legacy benefits as if migrated to Universal Credit in 2021/22.

Compared to the current scenario, extending FSM is expected to cost an additional £10.5M per annum as 23,400 children that were previously ineligible are expected to take FSM. This corresponds to a total annual cost of £49.5M to cover the meals of primary and secondary school children in Wales that are eligible and expected to take up FSM. Total costs are greater for primary school children than they are for secondary school children due to the larger size of the former group (69,800 primary school children expected to take FSM compared to 39,900 secondary school children).

As observed under the current scenario, the increase in cost follows the distribution of children by school age-group. An additional 15,100 children primary school are expected to take FSM under extended provision (an increase in cost of £6.8M per annum compared to the current scenario), while 8,300 children in secondary school are

expected to take FSM (an increase in cost of £3.8M per annum compared to the current scenario).

In contrast to current provision, and before accounting for take-up, almost all (99%) children in Reception - Year 11 living in low-income households are expected to be eligible for FSM under extended provision. The households that continue to be ineligible are in receipt of Housing Benefit or Council Tax Support but do not qualify for Universal Credit due to their level of income. The proportion of eligible children is similar across age-groups, with only a slightly greater proportion of children in Reception - Year 2 being eligible compared to children in Year 7 - Year 11 (99% compared to 98%).

If FSM were to be provided for a period of 52 rather than 39 weeks, the total cost of extending provision to all households eligible for Universal Credit would be £66.0M; £42.0M for primary school children and £24.0M for secondary school children. This represents an increase of £14.1M compared to the current scenario (52-week provision).

Table 2: FSM under extended eligibility (all households migrated): number of children eligible, cost and comparison to current scenario, by age group

	Total children in low-income households	Number of children			Cost (per annum), take-up adjusted	
		Total eligible	Adjusted for take-up	Newly eligible (compared to current)	Total cost	Increase in cost (compared to current)
Primary school	80,191	79,364	69,840	15,062	£31.5M	£6.8M
Reception-Y2	34,922	34,548	30,402	6,561	£13.7M	£3.0M
Primary Y3-Y6	45,269	44,816	39,438	8,501	£17.8M	£3.8M
Secondary Y7-Y11	50,114	49,319	39,948	8,335	£18.0M	£3.8M
Total primary and secondary school	130,305	128,683	109,789	23,396	£49.5M	£10.5M

The cost of universal Free School Meals

This section estimates the cost of providing FSM to all households with children in Reception to Year 11 using the latest Pupil Level Annual School Census (PLASC) data. According to PLASC, there were a total of 469,165²⁰ pupils in maintained schools in 2019/2020 (ranging from nursery to Year 14). Of these, 411,730 children were in Reception - Year 11, and are potentially eligible for FSM. This scenario considers the cost of extending universal provision to all children in this group, assuming take-up of 100% for primary school pupils and 92% for secondary school children.

Providing FSM for all primary and secondary school children up to age 16 is estimated to cost £179.6M per annum, with 191,000 primary school pupils and 153,000 secondary school pupils expected to take FSM. The annual cost of provision amounts to £110.7M and £68.9M, respectively, and reflects the smaller size of the secondary school age-group. Total costs are lowest for the Reception to Year 2 age-group, totalling £46.2M per annum (in contrast to £64.5M for pupils in Year 3 to Year 6 and £68.9M for pupils in Year 7 - Year 11).

Universal FSM represents a more substantial increase in both eligibility and costs compared to the extended scenario. This is because extending FSM to households eligible for Universal Credit would still only cover children living in low-income households. Compared to the current scenario, universal FSM would extend provision to 312,000 newly eligible children at an additional cost of £140.7M per annum. Compared to the extended scenario, however, universal FSM would extend provision to 288,700 newly eligible children, and would cost an additional £130.1M per annum.

If FSM were to be provided for an extended period of 52 weeks on a universal basis, the total cost of provision would be £239.5M; £147.6M for primary school children and £91.8M for secondary school children. This represents an increase of £187.5M compared to the current scenario (52-week provision).

²⁰ <https://statswales.gov.wales/v/Jel0>

Table 3: Children eligible and taking up FSM by age group: total number across scenarios and comparison to universal scenario

	Total children in maintained schools	Eligible & taking up FSM			Increase under universal provision	
		Current	Extended	Universal	Compared to current	Compared to extended
Nursery	35,095	N/A	N/A	N/A	N/A	N/A
Primary Reception-Y2	102,510	23,841	30,402	102,510	78,669	72,108
Primary Y3-Y6	143,160	30,938	39,438	143,160	112,222	103,722
Secondary Y7-Y11	166,060	31,614	39,948	152,775	121,161	112,827
Secondary Y12-Y14	22,340	N/A	N/A	N/A	N/A	N/A
Total	469,165	86,392	109,789	398,445	312,053	288,657

Table 4: Cost of FSM across scenarios and comparison to universal scenario, by age group

	Cost (per annum), take-up adjusted			Increased cost of universal provision (per annum)	
	Current	Extended (all UC)	Universal (Reception-Y11)	Compared to current	Compared to extended
Primary school	£24.7M	£31.5M	£110.7M	£86.0M	£79.3M
Primary Reception-Y2	£10.7M	£13.7M	£46.2M	£35.5M	£32.5M
Primary Y3-Y6	£13.9M	£17.8M	£64.5M	£50.6M	£46.8M
Secondary Y7-Y11	£14.2M	£18.0M	£68.9M	£54.6M	£50.9M
Total	£38.9M	£49.5M	£179.6M	£140.7M	£130.1M

The impact of extending Free School Meals on the finances of low-income households

This section considers the impact of extending FSM to all households that are in receipt of (or would be eligible for) Universal Credit, assuming all households in receipt of legacy benefits have migrated in 2021/22. The impact on individual households as well as the total savings for newly eligible households are estimated below.

Out of an estimated total of 377,700 low-income households in Wales, 78,100 have at least one child aged between 5 and 16 (corresponding to school years Reception - Year 11) and may be impacted by extending FSM provision.

More than three quarters (78%, or 60,600) of households with children in Reception - Year 11 are eligible in both the current and extended scenarios. This represents 16% of total low-income households. Combined with the number of households becoming newly eligible for FSM under extended provision (having not been so in the current scenario), this means almost all households with school-age children are eligible for FSM in the extended scenario, representing 20% of low-income households in Wales.

The 16,400 households that become eligible under extended provision represent 21% of low-income households with school-age children and 4% of total low-income households in Wales. The majority of these households (86%, 14,000) have fewer than three eligible children; over one half (52%) have one child that becomes newly eligible while one third (34%) have two children that become newly eligible²¹. A small number of households with school-age children (1,100, 1%) are not eligible for FSM neither the current nor extended scenarios.

Table 5: Number of households potentially eligible for FSM, by type of impact

	Total	% of households with children in Reception - Year 11	% of low-income households in Wales
Eligible in current and extended scenarios	60,633	78%	16.05%

²¹ Figures relate to the number of *potentially eligible* children present in households. Some households may have more children, for example aged below 5, that are not eligible for FSM in any scenario and are therefore excluded from the analysis/tables.

Newly eligible in extended scenario	16,356	21%	4.33%
Not eligible in neither current nor extended scenarios	1,106	1%	0.29%
Total low-income households with children in Reception - Year 11	78,095	-	20.67%
Total low-income households	377,770	-	-

The value of Free School Meals for newly eligible households

The household-level impact of extending FSM to all households in receipt of (or that would be eligible for) Universal Credit can be captured by the amount saved in food purchasing costs. This is calculated using the CPI-adjusted value of FSM vouchers over the 39-week school year, and equates to an average saving of £1,281.59 per year for newly eligible households, or £764.30 per child per year.

Total savings by newly eligible households correspond to the distribution of children and are outlined in the table below. Over one half of households with newly eligible children only have one eligible child and save £63.69 per month. An additional 34% save £127.80 per month (two eligible children) and a further 10% save £191.08 per month (three eligible children). Although a relatively small proportion of newly eligible households (less than 4%) are estimated to make large savings of £254.77 per month or more, this affects an estimated 600 households with more than three children. These households may face acute financial pressures if affected by welfare reforms, in particular the two-child limit and the benefit cap²².

The resulting total value of extending Free School Meals is £20.9M per annum, assuming that all eligible households make use of the scheme. If some households decide not to take up FSM, the value and scope for impact reduces: take-up in the range of 81% - 88% would reduce the total value of FSM to between £16.9M and £18.4M per annum.

²² <https://mk0nuffieldfounpg9ee.kinstacdn.com/wp-content/uploads/2020/02/It-feels-as-though-my-third-child-doesnt-matter.pdf>

Table 6: Monthly-equivalent saving due to FSM for households that become eligible (extended scenario), by number of eligible children

Number of eligible children	Number of households	% of total	Monthly saving due to FSM (per household)	Annual saving due to FSM (per household)
1	8,481	51.85%	£63.69	£764.30
2	5,528	33.80%	£127.38	£1,528.61
3	1,713	10.48%	£191.08	£2,292.91
4	480	2.93%	£254.77	£3,057.21
5	125	0.77%	£318.46	£3,821.51
6	19	0.12%	£382.15	£4,585.82
7	5	0.03%	£445.84	£5,350.12
8	4	0.02%	£509.54	£6,114.42
Total	16,356	-	£106.72	£1,280.59

Table 7: Total value of FSM for households that become eligible (extended scenario), by number of eligible children

Number of eligible children	Number of households	% of total	Annual value of FSM (all households in group)
1	8,481	51.85%	£6.5M
2	5,528	33.80%	£8.4M
3	1,713	10.48%	£3.9M
4	480	2.93%	£1.5M
5	125	0.77%	£479.4K
6	19	0.12%	£89.4K
7	5	0.03%	£26.1K
8	4	0.02%	£22.3K
Total	16,356	-	£20.9M

Conclusion

The findings of this report provide an understanding of the costs and benefits of extending Free School Meals provision in Wales, both to all children of families receiving Universal Credit and universally to all primary and secondary school children.

This research has a narrow focus on the financial costs and benefits of provision. Any policy recommendations may need to balance the estimated monetary costs and savings of FSM extension or universalisation against a range of further potential benefits, including reducing food insecurity, boosting educational attainment, bolstering the financial resilience of low-income families, providing additional working hours for low-paid school catering staff, and supporting Welsh supply chains if procurement is kept local. The findings of this report, in conjunction with these wider benefits, point towards a significant return on additional investment in FSM provision by the Welsh Government.

The cost of FSM to the Welsh government under current eligibility rules is £38.9M per year. Extending provision to children of all households receiving Universal Credit would increase the total cost by £10.5M, to £49.5M per year. Under this scenario:

- 99% of low-income households with children in Reception to Year 11 would be eligible for FSM, up from 78% under current rules.
- The savings to the newly eligible households, based on a value of CPI-adjusted £3.90 per meal, would be worth £20.9M per year if all households take-up FSM, or £16.9M to £18.4M at take-up rates of 81% to 88%.

The analysis also estimates that extending FSM to all households, regardless of household income or benefit eligibility, would cost £179.6M per year, an increase of £140.7M on current costs. An extra 312,000 children would become eligible under this universal scenario.

Extension of FSM eligibility to all families on Universal Credit would in part reverse cuts imposed by the new eligibility criteria brought in in April 2019, which introduced the net earnings threshold of £7,400 for all households on Universal Credit. Households previously eligible for FSM who would lose their eligibility under the new criteria are currently prevented from doing so until 31 December 2023 under transitional protection rules. Nevertheless, the earnings threshold will eventually apply to the majority of households as transitional protection expires and all households migrate to Universal Credit from legacy benefits.

The extension of FSM provision to all families on Universal Credit would also eliminate a potential earnings trap created by the earnings threshold. Evidence submitted by Policy in Practice to the Department for Education in 2017 showed that families earning just below the threshold may be better off than if they earned just above the threshold, as they avoid a cliff-edge in support that is not compensated by their increased earnings²³. This is even more pronounced in areas where FSM eligibility serves as a passport to other support measures, such as free school transport or help with school clothing or trips. One of the key objectives of Universal Credit was to prevent cliff-edges in support and so incentivise work. Extension of FSM would assist with the realisation of this objective.

Research indicates that a further benefit of universal provision is the higher proportional take-up of FSM and improved educational attainment. Universal provision of FSM also minimises the stigma that may be associated with receipt. The Children’s Society has shown that this stigma can significantly harm take-up of FSM for children of low-income families and the Senedd have found children may choose to go without lunch rather than risk embarrassment and bullying²⁴.

Policy recommendations may need to consider these potential benefits of universal provision against concerns of any ‘deadweight’ losses incurred through providing FSM to children of households who could afford to pay for them. They may also need to consider that, although 99% of children from low-income households would be eligible for FSM under our extended scenario, extra efforts may be required to encourage take-up and maximise the possible benefits.

Glossary

Legacy benefits	Universal Credit was first introduced in 2013 with the aim to gradually replace a number of means-tested benefits for working-age benefit claimants (Income Support, Income-related Employment and Support Allowance (ESA), Income-based Jobseekers Allowance, Housing Benefit, Working Tax Credit and Child Tax Credit). The term 'legacy benefit' is used to refer to the old benefits that Universal Credit is set to replace.
Low-income household	'Low-income household' is used throughout this report to refer to working-age households that are in receipt of Council Tax Support, Housing Benefit and/or

²³ <https://drive.google.com/file/d/1vg2Z6hD83aIJMp5zMk2R8NolvC7ZYwP5/view?usp=sharing>

²⁴ <https://www.iris.co.uk/blog/children-reject-free-school-meals-because-of-stigma/>

	Universal Credit.
Passporting	When benefit eligibility is determined by receipt of other benefits, this is called passporting. It is usually done for administrative ease. An example is the treatment of all households in receipt of certain legacy benefits as eligible for Free School Meals.
SHBE/CTR datasets	Acronym used to refer to two types of administrative data that is held by UK local authorities: the Single Housing Benefit extract and Council Tax Reduction extracts.
School-age children	Children in Reception - Year 11 are referred to as school-age children throughout the report for convenience. Because school-year data is not included in the administrative datasets available to Policy in Practice, groups are proxied according to age, with the upper age for each year group being used (such that Reception corresponds to age 5, Year 1 to age 6 and so on).
Transitional protection	transitional protection are typically rules that protect specific groups from sudden policy changes. Any reference to transitional protection in this report should be understood as transitional protection in relation to Free School Meals eligibility. This protects three groups of children: FSM-eligible children on 1 April 2019; children that become FSM-eligible between 1 April 2019 and 31 December 2023; and those that are FSM eligible on 31 December 2023 (see Background for details).
Uprating	This refers to the process of updating benefits each year, typically in line with inflation or with reference to other predetermined benchmarks.

Annex

Data

Key datasets

Policy in Practice has access to administrative datasets in respect of Housing Benefit and/or Council Tax Reduction claimants for 19 Welsh local authorities as of September 2020²⁵, collected to inform research on the impact of Covid-19 on Council Tax Reduction in Wales²⁶. Throughout the report these are referred to as SHBE/CTR datasets. Households in receipt of Universal Credit are included in these datasets if they are also in receipt of Council Tax Reduction.

²⁵ One local authority has a high proportion of children’s ages missing. To deal with this, ages are imputed according to the distribution by age-group across Wales (Mid-year population estimates 2019: <https://statswales.gov.wales/v/JgsT>).

²⁶ <https://gov.wales/council-tax-reduction-scheme-and-covid-19-wales-interim-findings>

Access to SHBE/CTR datasets means Policy in Practice is uniquely placed to conduct analysis on the impact of extending FSM to households in receipt of Universal Credit and/or Council Tax Reduction. The impact on these households is captured directly in the data²⁷. Households that receive Universal Credit but do not receive Housing Benefit or Council Tax Reduction are excluded from these datasets, therefore household-level weights are applied as part of the analysis. This ensures that results can be treated as representative of all households in receipt of Universal Credit. This is discussed in more detail in the sections below.

In order to estimate the cost of universal FSM provision for all primary and secondary school children in Wales, the latest open-source data from the Pupil Level Annual School Census (PLASC, 2019/20) is used²⁸. This contains the number of pupils in maintained schools according to school year-group, as supplied by schools open on Census day in January 2020.

Inherent data limitations and extrapolation

There are three key limitations to this research project in relation to available administrative datasets: a biased sample of households in receipt of Universal Credit in SHBE/CTR; incomplete earnings information for households in receipt of Universal Credit in SHBE/CTR; and missing data in respect of three Welsh local authorities. In each case, adjustments have been made to improve the accuracy and representativeness of results, and to reduce the level of bias. These are discussed in more detail in the Methodology section below.

The first limitation comes from the sample of households in receipt of Universal Credit that is available to Policy in Practice. This is restricted to households in receipt of Universal Credit that are also in receipt of Council Tax Reduction (CTR)²⁹. Factors such as the incomplete take-up of CTR and the lack of overlap between eligibility for Council Tax Reduction and eligibility for Universal Credit (both of which are non-random) means the administrative datasets available for analysis constitute a biased sample of households in receipt of Universal Credit. In particular, higher-earning households in receipt of Universal Credit are especially likely to be underrepresented as they are more

²⁷ The administrative datasets available to Policy in Practice contain limited raw data in respect of the earnings and housing costs of current UC households. For these households, the 'double-run' algorithm is used to estimate values where possible.

²⁸ <https://statswales.gov.wales/v/JeI0>

²⁹ In a minority of cases this also includes households in receipt of Universal Credit that are also in receipt of Housing Benefit.

likely to not qualify for Council Tax Reduction. Household-level weights are applied to the raw data to correct for this source of bias, however, some residual bias will remain even after weights have been applied.

A second limitation comes from incomplete earnings information for households in receipt of Universal Credit in the SHBE/CTR datasets. This information is missing because it is not used by local authorities to calculate awards for Council Tax Reduction. As such, the analysis employs Policy in Practice's microsimulation algorithm to estimate these values where possible. This is covered in more detail in the Methodology section below.

The final limitation is due to missing administrative datasets in respect of three local authorities. This means that, without adjustment, results would not be representative across the whole of Wales. To correct for incomplete datasets, results are extrapolated by a factor of 1.22³⁰ in order to estimate results across all 22 Welsh local authorities. The factor increase of 1.22 is calculated using open-source data in respect of children aged 5-16 in Wales³¹.

Methodology

Policy simulation

In order to leverage the rich sample of household information provided in Housing Benefit and Council Tax Reduction extracts, the analysis employs a policy microsimulation engine, the Benefit and Budgeting Calculator, to calculate benefit awards under the *extended* provision scenario for households that would be eligible for Universal Credit if they were migrated tomorrow. For households receiving Universal Credit in September 2020, the same microsimulation infrastructure is used to uprate benefit awards in line with known and expected benefit changes for the 2021/22 financial year.

This policy modelling will be carried out using Policy in Practice's in-house microsimulation engine, known as the Benefit and Budgeting Calculator. This models all mechanical interactions of the UK benefits system, as well as macroeconomic trends

³⁰ For the analysis, the complete unrounded value of 1.2178386 is used.

³¹ 2019 mid-year population estimates, by age: <https://statswales.gov.wales/v/JgsT>

and household costs³². By adjusting the parameters of the Benefit and Budgeting Calculator, it is possible to recalculate benefit awards for households claiming Tax Credits and other legacy benefits as if they were in receipt of Universal Credit.

Weighting methodology

The SHBE/CTR dataset contains only those households claiming Housing Benefit and/or CTR. Although this includes many households in receipt of Universal Credit, some (particularly those with higher levels of income) are not captured. To observe the impact of changes to Free School Meals eligibility on the wider UC caseload in Wales, post-stratification methods create weights that are applied to each household currently in receipt of Universal Credit and Council Tax Reduction.

Households in receipt of Universal Credit are separated into strata by local authority, household type and UC-award band. The number in each strata in the raw SHBE/CTR datasets is compared to the equivalent strata in open-source data that captures all households in receipt of Universal Credit (provided under Open Government License via Stat-Xplore)³³.

Cost of Free School Meal provision and household impact

Policy in Practice's estimate of the costs to the Welsh Government of FSM provision reflects food purchasing costs, in line with the value of FSM funding provided by local authorities in England (£2.30 per meal for the year 2020/21)³⁴. Costs are uprated in line with CPI inflation³⁵ (the basis used by the UK Government) to reflect the likely increase in 2021/22.

To capture the impact of extending FSM from a household perspective, Policy in Practice refers to the value of Free School Meal vouchers provided during Covid-19 school closures in Wales. These were valued at £3.90 per meal for the year 2020/21 and reflect households' reduced capacity to benefit from economies of scale and to factor in the cost of breakfast. These values are also uprated in line with CPI inflation, to

³² The analysis will capture 'essential costs'. These are made up of known costs (rent and council tax) as well as estimated costs (TV license, utilities, mobile phone, public transport, groceries, other personal costs and disability-related costs).

³³ Caps are applied to strata with particularly high weighting in order to mitigate any weighting bias.

³⁴ This is consistent with the approach taken by the Welsh Government when FSM eligibility criteria were reviewed in 2018.

³⁵ 0.5% (year to September 2020).

reflect 2021/22 prices. This is used to capture the impact on households of reduced food purchasing costs and to quantify the value of FSM from a household perspective.

Take-up of Free School Meals

To estimate final cost in the current and extended scenarios, the number of eligible primary school children is adjusted by an assumed take-up rate of 88% and the number of eligible secondary school children is adjusted by 81%. The 88% take-up rate among primary school children is obtained by comparing the number of FSM-eligible pupils aged 5-15 to the number of pupils aged 5-15 known to have taken FSM on Census day, according to the latest Pupil Level Annual School Census (PLASC) data for 2019/20³⁶³⁷. Take-up of 81% among secondary school pupils reflects the differential take-up rate between primary and secondary school pupils, as highlighted in previous research³⁸.

Although every effort has been made to choose the most reasonable rates of take-up, in practice there are factors that might result in lower or higher take-up than the rates assumed in this research. The first consideration comes from how PLASC data (from which the 88% take-up estimate is calculated) is collected for FSM 'eligible' and FSM 'taking-up' groups. The 'eligible' group is defined as pupils that have applied for FSM to their local authority and have had their eligibility confirmed³⁹, while 'taking-up' relates to those that are eligible and have taken FSM on Census day. The requirement to make an application to be considered in the former group means there is already likely to be a substantial number of pupils that are not recorded as eligible, despite meeting the eligibility criteria. This gap in the data - also a feature of England's School Census data (discussed by the Department for Education in 2012⁴⁰) - means true take-up is likely to be lower.

The second consideration comes from the likely increase to take-up that would result from extending FSM. The removal of the means-test would reduce the friction involved in applying for FSM, thereby allowing this benefit to be claimed more easily. This would

³⁶ Taking-up: <https://statswales.gov.wales/v/Jish>

³⁷ Eligible: <https://statswales.gov.wales/v/Jisf>

³⁸ A ratio of 100:92. <https://gov.wales/sites/default/files/publications/2018-12/free-school-meals-case-studies-report.pdf>

³⁹ p.124 <https://gov.wales/sites/default/files/publications/2021-03/plasc-technical-completion-notes-for-local-authorities-and-schools-january-2020-21.pdf>

⁴⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/183380/DFE-RR235.pdf

be even more pronounced if the application process became automated or if it were more closely integrated within Universal Credit's digital infrastructure.

The matter of take-up is complex and beyond the scope of this report. Nevertheless this should be considered a possible cause of variation and would need to be taken into account in proposals to extend FSM provision.

To estimate the final cost under the universal scenario, it is assumed that all primary school pupils would take up FSM and that the drop off among secondary pupils would be in line with that assumed in the extended scenario.

Transitional protection

As highlighted earlier in this report (see Background section), there are two groups whose eligibility for FSM will be protected until 31 December 2023. It is beyond the scope of this research to distinguish these groups from the evaluation of the costs and benefits of extending FSM. However, transitional protection means that some households will currently be eligible for FSM despite falling outside the earnings threshold, either because they were FSM-eligible before 1 April 2019 or because they have become FSM-eligible between 1 April 2019 and September 2020. In addition, the number of children in the latter group will continue to grow until 31 December 2023. Taken together this means the additional cost of extending FSM provided in this report should be considered an upper estimate. In particular it means that some households (for example, those that have suffered a temporary drop in income due to the Covid-19 economic crisis), may already stand to benefit from FSM that are not linked to their current economic circumstances.