



Department  
for Education

# **Estimating the number of additional free school meal pupils under Universal Credit**

**May 2018**

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## Glossary

- **FSM:** Free school meal(s).
- **Legacy benefits:** the benefits replaced by Universal Credit. These include Jobseeker's Allowance (JSA), Housing Benefit (HB), Working Tax Credit (WTC), Child Tax Credit (CTC), Income Support (IS) and income based Employment and Support Allowance (ESA).
- **Passported benefits:** benefits for which eligibility is determined by whether or not you receive certain other welfare benefits.
- **Legacy benefit system/previous benefit system:** this refers to how the benefits system would have been before the introduction of Universal Credit.
- **UC:** Universal Credit. UC is a social security benefit introduced in 2013 to replace income based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, income based Employment and Support Allowance and Income Support.
- **UC rollout:** the process through which local authorities and Jobcentre areas will transition to the Universal Credit full service and existing benefit and tax credit claimants are migrated across to Universal Credit<sup>1</sup>.
- **PSM:** Policy Simulation Model—a static micro-simulation model that calculates the effects of tax and benefit policy on a random sample of households from the 15-16 Family Resources Survey
- **INFORM:** INtegrated FoRecasting Model—a dynamic micro-simulation model that generates estimates of monthly flows across and between the legacy benefits and UC
- **FRS:** Family Resources Survey—a continuous household survey which collects information on a representative sample of private households in the United Kingdom.

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<sup>1</sup> Details of the rollout schedule can be found here: <https://www.gov.uk/government/publications/universal-credit-transition-to-full-service>

## Purpose of this publication

Before the introduction of Universal Credit (UC), the receipt of certain welfare benefits determined a child's entitlement to free school meals<sup>2</sup> (FSM). UC replaces six existing benefits with a monthly payment that gradually reduces as earnings increase, to ensure people are better off in work. It is targeted at people who are looking for work or who are on a low income and it aims to create a greater fairness in the welfare system.

When UC was introduced in 2013, as a temporary measure all children in households in receipt of UC were given entitlement to FSM. This was because most households in the UC pathfinders were out of work, and so their children would have been eligible for FSM under the legacy system<sup>3</sup>.

Last year, around 1.1 million disadvantaged children were eligible for and claimed a free school meal<sup>4</sup>, which corresponds to approximately 14% of children in state-funded schools. If this temporary measure were to continue for the full rollout of Universal Credit, around half of all children would become eligible for FSM<sup>5</sup> and the meals would no longer be targeted at those who need them the most<sup>6</sup>. For this reason, and as always planned, the government decided to replace this temporary measure with a net earned income threshold to determine eligibility. This approach is consistent with how other government departments and devolved administrations have approached amending criteria for passported benefits under Universal Credit, for example, the Help with Healthcare costs scheme (covering prescription charges) administered by the Department of Health and Social Care; and free school meals in Scotland<sup>7</sup>.

In collaboration with the Department for Work and Pensions (DWP), the Department for Education (DfE) undertook analysis to determine the impact of different income thresholds on the number of children who would be in receipt of FSM. Additionally, we considered operational feasibility, legal frameworks and technological capabilities. Taking all those factors into account, the government decided to consult on implementing an annual net earned income threshold of £7,400<sup>5</sup> (which will, depending on a family's exact circumstances, typically equate to a total household income of between £18,000 and £24,000, once benefits are included). This threshold would result in an increase in the

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<sup>2</sup> <https://www.gov.uk/apply-free-school-meals>

<sup>3</sup>

[https://publications.parliament.uk/pa/cm201213/cmhansrd/cm130417/text/130417w0004.htm#130417w0004.htm\\_spnew23](https://publications.parliament.uk/pa/cm201213/cmhansrd/cm130417/text/130417w0004.htm#130417w0004.htm_spnew23)

<sup>4</sup> <https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2017>

<sup>5</sup> <https://www.gov.uk/government/consultations/eligibility-for-free-school-meals-and-the-early-years-pupil-premium-under-universal-credit>

<sup>6</sup> <https://consult.education.gov.uk/school-leadership-analysis-unit/analysing-family-circumstances-and-education-1/>

<sup>7</sup> <http://www.legislation.gov.uk/ssi/2017/182/contents/made>

numbers of pupils eligible for FSM by 2022. The proposals passed through Parliament in March 2018 and the new criteria came into force on the 1 April 2018<sup>8</sup>.

In February 2018 DfE published a short methodology note outlining how the department calculated the impact of this policy on the free school meal cohort<sup>9</sup>. This document provides an update to that note and sets out the results of our analysis for a £7,400 net-earned income threshold and the continuation of the temporary criteria implemented in 2013.

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<sup>8</sup> <http://www.legislation.gov.uk/uksi/2018/148/made>

<sup>9</sup> <https://publications.parliament.uk/pa/ld201719/ldselect/ldsecleg/82/8206.htm>

# Methodology

## Estimating future additional FSM pupils

This analysis uses outputs from two DWP models<sup>10</sup>:

- Integrated forecasting model (INFORM) — a dynamic micro-simulation model that generates estimates of monthly flows across and between the legacy benefits and UC. The specific outputs used by DfE gave estimates for the number of children in households moving between the main legacy benefits and UC. The outputs are split by the legacy benefit received and broken down on a monthly basis.
- Policy simulation model (PSM) — a static micro-simulation model that calculates the effects of tax and benefit policy on a random sample of households from the 15-16 Family Resources Survey (FRS). Future years are modelled by simulating announced policies consistent with growth in relevant variables from economic forecasts.

Whilst these modelling outputs have their limitations, they are considered by the Office of Budget Responsibility to be the best available sources for modelling benefit entitlement and the flows between different benefits<sup>10</sup>.

The outputs of these models are used by DfE in the following ways:

- INFORM allows us to estimate the volumes of children in households moving onto UC split by the corresponding benefit type on the legacy system.
- PSM allows us to estimate the earnings and age of the children in those households moving onto UC, and calculate whether or not they will be eligible for FSM after the transition. It tells us whether they would have been eligible for FSM if they had never moved across to UC.

As new economic forecasts are released and underlying data (such as the FRS) are refreshed, the outputs from both the PSM and the INFORM will change. In turn, the outputs of the analysis outlined in this publication will change.

The PSM data is for the financial year 2022-23; we use National Living Wage forecasts<sup>11</sup> to adjust for predicted incomes in the interim years. This calculation makes the interim year numbers more uncertain. For self-employed claimants, we use actual, not assumed, income.

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<sup>10</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/676605/WelfareTrends2018cm9562.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/676605/WelfareTrends2018cm9562.pdf)

<sup>11</sup> <http://obr.uk/faq/where-can-i-find-your-latest-forecasts/>

By combining these outputs, we are able to estimate for any threshold level:

- how many people will move onto UC on a month by month basis;
- whether or not they will have household earnings below or above the threshold; and
- whether or not they would have FSM eligibility if they were still on legacy benefits.

We take into account the fact that not every entitled household will claim for FSM. We do this by applying a “claiming rate” to the numbers described above. Our basis for this assumption comes from a DfE report into the proportion of pupils not claiming FSM<sup>12</sup>. This report found that there is an under registration rate of around 11%, suggesting a claiming rate in the region of 89%.

Our modelling does not attempt to anticipate behavioural responses that may result due to policy changes.

## Estimating the impact of the £7,400 threshold

Using the above with a threshold of £7,400, we can estimate the difference in size between two groups of children who are in UC households in each of the interim years:

- children who *would not* have been eligible for FSM under the legacy system, but *will be* under the new eligibility system; and
- children who *would* have been eligible for FSM under the legacy system, but *will not* be under the new eligibility system. It is important to note that **no child will lose their free school meals during the rollout of UC** due to the protections delivered through our new arrangements.

The government has introduced transitional protections to ensure that existing recipients of free school meals will not lose their entitlement following the introduction of new eligibility criteria. When calculating the effect of the threshold, we decided it was important not to take account of protections in order to get a better understanding of how the number of children who meet the eligibility criteria will change over time. These protected children are therefore **not** included in this analysis of the additional pupils eligible for FSM, and are covered separately.

## Estimating the impact of protections

In order to determine the impact that the protection policy has on cohort numbers, we use our estimate of the number of children who would have been eligible for FSM under the legacy system, but will not be under the new eligibility system. This tells us how many

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<sup>12</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/266339/DFE-RR319.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266339/DFE-RR319.pdf)

children might lose their eligibility during the transition to UC, and when. These children will have their FSM eligibility protected.

However, this alone does not take into account all the routes through which a child might enter protections. The protection policy we have put into place means that all children receiving a meal as of 1<sup>st</sup> April 2018, and those that will receive one at any point during the rollout period, will continue to receive one until the end of rollout and then the end of the phase of their education, regardless of their family circumstances.

We therefore take into account those families on legacy benefits who would have lost their free school meals due to a natural change of circumstances (e.g. a parent starts working 16 hours per week and receives working tax credits), and those that that may lose eligibility after the transition.

We looked at historical administrative data stored in the National Pupil Database (NPD)<sup>13</sup> to estimate the FSM cohort growth we would expect to see because of the pupils who would naturally lose eligibility due to a change in circumstance, but retain it because of the protections. We apply this proportion to pupil population projections<sup>14</sup> and make a final adjustment on a year by year basis to account for the fact that the number of FSM pupils still on the legacy benefits system decreases over time. This gives us an estimate for the number of pupils entering protections due to natural turnover, which we add to the number of children entering protections because of the transition to UC. In practice, some of these families may be eligible for universal credit and meet the eligibility criteria at some point in the future. The nature of the PSM, FRS and rollout data does not allow us to identify these individuals. It is likely that our estimates of the protected cohort may experience some 'double-counting' during the earlier years of rollout.

Our modelling does not attempt to take into account how eligibility might change after the transition to UC as a result of fluctuating incomes. This is because the FRS and PSM does not allow us to track individuals on a month by month basis. This means that the approximations made above may lead to some undercounting in the later years.

Our estimates of the protected cohort figures should therefore be treated with caution and used as an indication of the order of magnitude only.

## **Estimating the impact of continuing the temporary eligibility criteria**

To estimate the impact of continuing the temporary criteria, we repeat the process above but set the income threshold to such a level that everyone in receipt of UC falls below the threshold. Under this scenario, the only group we have to calculate is the children who *would not* have been eligible for FSM under the legacy system, but *would be* under the temporary eligibility criteria.

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<sup>13</sup> <https://www.gov.uk/government/collections/national-pupil-database>

<sup>14</sup> <https://www.gov.uk/government/statistics/national-pupil-projections-july-2017>

## Results

### Estimating additional FSM pupils: impact of the £7,400 threshold

The results of these calculations for a £7,400 net earned income threshold are shown in Table 1 (rounded to the nearest 10,000 pupils), alongside our lower and upper estimates<sup>15</sup>. It should be noted that these do not represent 'worst' or 'best' case scenarios, but a reasonable expectation of what might occur if, for example, our claiming rates are lower/high than expected or if wage growth and earnings are better/worse than expected.

**Table 1 - Additional Eligible Pupils under £7,400 Threshold (rounded to nearest 10,000 pupils, R-Y11 only)**

Date	Jan-19	Jan-20	Jan-21	Jan-22
Lower estimate	40,000	110,000	40,000	40,000
Central estimate	40,000	120,000	50,000	50,000
Upper estimate	50,000	130,000	200,000	60,000

The peak in eligibility expected in Jan 2020 is due to the interaction between the impact on families' working hours of the current 16 hour rule for working tax credit and the expected stage of UC roll out. These children will retain their eligibility to FSM throughout the rollout period due to the protections we have put in place.

From Table 1, we estimate that by 2022, around 50,000 more children will benefit from a free school meal compared to the previous benefits system. These findings are supported by analysis conducted by the independent Institute for Fiscal Studies (the IFS analysis does not take into account the transitional protections we have put in place)<sup>16</sup>.

### Estimating additional FSM pupils: impact of protections

The estimated effects of the transitional protections are shown in Table 2. We estimate that the number of children benefitting from our protection policy will be in the hundreds of thousands in any given year. It is important to note that this figure represents our estimate of the **total**, cumulative number of children receiving transitional protection at a given point in time and not the number of children entering protections each given year; they should be treated with caution and used as an indication of the order of magnitude only.

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<sup>15</sup> Using the latest data as of 08/02/2018

<sup>16</sup> <https://www.ifs.org.uk/publications/12892>

**Table 2 - Additional Eligible Pupils due to Transitional Protections under a £7,400 Threshold (rounded to nearest 100,000 pupils, R-Y11)**

Date	Jan-19	Jan-20	Jan-21	Jan-22
Lower estimate	200,000	200,000	200,000	200,000
Central estimate	200,000	300,000	300,000	300,000
Upper estimate	300,000	400,000	400,000	400,000

### **Estimating additional FSM pupils: impact of the continuing the temporary eligibility criteria**

Table 3 shows our estimate of the additional number of pupils eligible in each year if the temporary eligibility criteria had been extended. We estimate that if the temporary criteria had been extended throughout the rollout period, around half of all children in state-funded schools would become eligible for free school meals by the end of the rollout period.

**Table 3 - Additional Pupils under extension of temporary criteria (rounded to nearest 100,000)**

Date	Jan-19	Jan-20	Jan-21	Jan-22
Lower estimate	300,000	1,000,000	1,800,000	2,300,000
Central estimate	300,000	1,100,000	1,800,000	2,400,000
Upper estimate	400,000	1,100,000	2,000,000	2,600,000

## Summary

Under a net earned income threshold of £7,400, we estimate that by 2022 around 50,000 more children will benefit from a free school meal compared to the previous benefits system.

This figure represents the difference between those that *gain* eligibility under UC compared to those that would have been eligible under the old system but will not now be eligible under UC. It also takes account of the fact that not everybody who is eligible will claim their meal.

This 50,000 figure does **not** include children who retain free school meals as a result of the transitional protections we have introduced during the rollout of Universal Credit. Under our new regulations, no child in England should lose their free school meal during the transition to Universal Credit<sup>8</sup>. In addition, any protected pupils who still receive free school meals once the transition is complete should continue to receive protection until the end of their current phase of education (e.g. primary, secondary school). We estimate that hundreds of thousands of children will continue to benefit during the rollout period because of our protections.

Continuing the temporary eligibility criteria for FSM would lead to around half of all children in state-funded schools becoming eligible for free school meals.

DfE will continue to publish statistics on free school meals as part of its annual publication '*Schools, pupils and their characteristics*'.



Department  
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