



Eligibility for free school meals and the early years pupil premium under Universal Credit

CPAG's response

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About Child Poverty Action Group

Child Poverty Action Group (CPAG) has worked for over 50 years to prevent and relieve poverty among children and families in the UK. We have a wide range of expertise and evidence from which we draw in this submission.

On free school meals, we ran an online survey of 1,029 young people (of which 190 were or had been recipients of free school meals) in 2012 alongside the British Youth Council, published in the report 'Going hungry? Young people's experiences of free school meals'.¹

On social security and welfare rights, we author and publish *The Welfare Benefits and Tax Credits Handbook*, the authoritative guide to social security in the UK; provide specialist advice and training to first tier advisers; coordinate and collate evidence from the National Association of Welfare Rights Advisers; collect evidence and case studies of the impacts of welfare reform across the UK through our Early Warning System; and are currently providing frontline welfare rights advice to food bank users in Tower Hamlets.

On education and children's outcomes, our 'Cost of the school day' project² works with schools to understand the educational experiences of low-income students and develop practical approaches to ensure that no student is excluded from school activities or experiences worry or stigma. In 2016 we published the book 'Improving children's life chances',³ discussing the links between poverty and children's chances and featuring a chapter on the educational impacts of poverty and what can be done. We have a partnership with the Royal College of Paediatrics and Child Health, take part in local child poverty commissions, and provide advice to local authorities and housing providers on how best to support low-income families.

Response to consultation questions

Question 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?

No. We believe that all children on Universal Credit should continue to receive free school meals, with the ultimate aim of extending free school meals to all school pupils. We are calling for this because:

- Current proposals will mean that many children in low-income families miss out on free school meals. Cuts to Universal Credit legislated in the last two years already mean that majority of families will now be worse off on Universal Credit than the system it replaces, and this further reduction in support will add to their financial pain.
- Extending free school meals to more pupils would bring huge benefits for health, educational attainment and children's wellbeing, particularly for children from disadvantaged backgrounds, as well as supporting families' finances.

¹ R Farthing (2012) Going Hungry. Young people's experience of free school meals. CPAG and British Youth Council.

² See <http://www.cpag.org.uk/cost-school-day>

³ Available at <http://www.cpag.org.uk/lifechances>

- The proposed threshold will have a negative effect on work incentives and risks creating poverty traps for families on Universal Credit – going completely against the government’s goal that Universal Credit should always reward work.
- The operation of an income threshold is likely to create serious practical problems making fair implementation of the policy almost unworkable, and no proposals have yet been put forward for managing this.

1. Many children in low-income families will miss out under current proposals

We recognise that the proposed earnings threshold has been designed to increase the number of pupils eligible for free school meals and pupil premium compared with the system applied before the introduction of Universal Credit. However, the proposed threshold will nonetheless lead to many *fewer* children receiving free school meals than were the current legal arrangements maintained (under which all children in families claiming Universal Credit are eligible). This will include around a million school-aged children living below the poverty line, according to calculations by The Children’s Society.⁴

Many more children are in families who are not below the poverty line but still below the income level which would provide what the public regard to be an adequate income, meaning they may struggle to afford nutritious school lunches for their children. To achieve the ‘minimum income standard’ (which is based on research into what the public agree is necessary for a basic but acceptable standard of living for adults and children), even a single parent with just one child would have to earn £28,800 a year, far higher than the proposed threshold. A couple with three children would have to earn more than £49,313, even with relatively inexpensive housing costs.⁵

As noted in the consultation document, not only will these children miss out on free school meals but might also miss out on a host of passported benefits such as uniform grants, home-to-school transport and music lessons.

Extending entitlement to free school meals to a much larger section of the school population (or ideally making it universal) would also greatly increase uptake, by increasing awareness of the benefit and also reducing stigma, thus alleviating a serious financial burden for the substantial percentage of families who are entitled to free school meals but currently do not claim them because of lack of awareness (especially for parents who do not speak English) or shame about having to claim.

We are particularly worried that the proposed financial threshold will mean families who increase their earnings marginally so that they exceed the threshold, could then be plunged into financial difficulty by the additional costs, especially if they have several children and especially if passported benefits are also lost. School staff who we spoke to as part of our Cost of the School Day project highlighted that they also worry particularly about families in this situation:

‘This one boy, his mum got a pay rise of £5 above the free school meals. These kids are the ones we have to keep an eye out for, imagine if that mum had two kids in the school’. (teacher)

⁴ <https://www.childrensociety.org.uk/news-and-blogs/press-releases/universal-credit-one-million-children-in-poverty-to-miss-out-on-free>

⁵ See <http://www.minimumincome.org.uk/>

While we know that families with children prioritise spending on children – especially children’s food – over almost anything else, the additional cost of lunches is likely to have considerable knock-on consequences for families’ wellbeing, increasing stress and forcing them to reduce spending elsewhere. Indeed recent official statistics on material deprivation suggest that parents often protect their children from missing out by instead going without food themselves, or compromising on other household basics, e.g. not replacing broken household goods or not taking out home contents insurance.⁶ This could put families and children at greater risk of accidents or a financial catastrophe should something happen to their home and possessions.

Of course extending free school meals to all children on Universal Credit would still mean that at some point families could increase their earnings so that they no longer receive Universal Credit, and thus lose entitlement. However this would be much more manageable for families than losing entitlement when they cross the low earnings threshold currently proposed, for several reasons:

- Moving off Universal Credit altogether would occur when families have a higher earned income than the proposed £7,400, meaning that the cost of providing school meals will be much less significant as a percentage of their overall income.
- The level of earnings at which families lose entitlement to Universal Credit is linked to the number of children they have, because families with more children have a larger total Universal Credit award which is then withdrawn at a rate of 63 per cent against earnings (with the two-child limit this will no longer apply for families with three or more children unless they have transitional protection). This means that if receipt of Universal Credit were to be the condition of entitlement for free school meals, families with two children would effectively have a higher earnings threshold for entitlement than families with one child. This seems fair as the costs of the family providing the meals themselves is higher for a family with two children. A fixed income threshold does not take account of family size in this way.
- It will be much easier for families to recover the additional cost of school meals by further increasing their earnings if they have moved off Universal Credit altogether, as they would face lower deduction rates on additional earnings (32% in income tax and national insurance contributions, rather than 63% in Universal Credit withdrawals).

Young people agree that all families on a low income should receive free school meals. A survey of 1,026 young people carried out by CPAG and the British Youth Council asked people which students they thought should be entitled to free school meals, and overwhelmingly the most popular answer was that all students from low income families should be entitled. In focus groups, children were aware that many families who are not currently entitled to free school meals can nonetheless find it extremely difficult to meet the costs of paying for meals, as the following quotes show:⁷

‘My friend has two other sisters in a single parent family and has a very low income and really struggles to have anything for lunch, but doesn’t get free school meals. I personally think that this is really unfair’.

⁶ Bradshaw, J. and Keung, A. (2017) UK child poverty gaps increasing but small reductions in deprivation, <http://jonathanbradshaw.blogspot.co.uk/2017/12/uk-child-poverty-gaps-increasing.html>

⁷ R Farthing (2012) Going Hungry. Young people’s experience of free school meals. CPAG and British Youth Council.

'I always went without lunch because my mum couldn't afford to give me lunch money and I wasn't entitled to free meals because she worked full time as a single parent'.

'they should be free for low income parents/families. For some kids this is the one and only meal they will receive for the day as some of the kids say that the food cupboard at home is always empty'.

'I think all students should be able to get free meals. Even if your parents do work it doesn't mean that they can always afford school meals.'

Universal Credit offers a simple way to make sure that all children on a low income receive free school meals, by simply making them available to all children who are on the benefit.

A series of cuts to Universal Credit already mean that the benefit will now leave the average couple with children £960 a year worse off, and the average single parent family £2,380 a year worse off,⁸ than the original design of Universal Credit promised. Larger families – for whom the cost of free school meals will have the greatest financial impact – are particularly hard-hit by cuts, with the average three-child family set to be £2,540 a year worse off and the average four-child family £5,080 worse off.⁹ The proposed changes to free school meals will make these impacts more severe.

We are particularly worried about the impact of the changes on families with three or more children, who are already at elevated risk of poverty (39 per cent of children with two or more siblings are currently living in poverty, after housing costs, compared with 27 and 26 per cent for those in families with one or two children respectively).¹⁰

2. The importance of free school meals

a. Nutrition

Free school meals are extremely important for nutrition. They must meet the Government's school food standards in most cases, while research has shown that a shocking 1.6 per cent of packed lunches given to primary school pupils meet these standards¹¹ and only 17 per cent contain any vegetables or salad. Given that we know that children living in the country's most deprived areas are more likely to be overweight or obese (in fact, children of all ages are twice as likely to be obese in the most deprived areas as in the least deprived areas), it is vital that they receive at least one nutritional, healthy meal a day, which they would be guaranteed through free school meals.

In recent years there has been increasing concern about the numbers of children arriving at school hungry, with a survey by NASUWT in 2016 finding that nearly three-quarters of teachers had seen pupils coming to school hungry and noting effects on attainment, confidence, absenteeism and ability to learn.¹² This situation, they report, has got worse over the last three years. Foodbanks have seen dramatic increases in demand over the same period. Child poverty

⁸ J Tucker (2017) The austerity generation: the impact of a decade of cuts on family incomes and child poverty, CPAG. <http://cpag.org.uk/content/austerity-generation-impact-decade-cuts-family-incomes-and-child-poverty>

⁹ Ibid, *The austerity generation*

¹⁰ Department for Work and Pensions, Households Below Average Income 1994/5 to 2015/16

¹¹ https://www.leeds.ac.uk/news/article/3907/too_few_school_packed_lunches_meet_nutritional_standards

¹² <https://www.nasuwt.org.uk/article-listing/childrens-education-blighted-by-hardship.html>

has risen by 400,000 since 2010/11 to 4 million, according to most recent statistics.¹³ In this context it is particularly vital that all children on a low income receive a nutritious, filling meal at school and that their families can rely on this.

b. Attainment

We know that young people growing up in lower income families have substantially poorer educational outcomes than their wealthier peers. Providing healthy food – which can improve educational outcomes – could help close the attainment gap. Research has shown a significant and immediate effect of diet on behaviour, concentration and cognitive ability.¹⁴ Increasing the provision of high quality, healthy school meals in Britain can increase student achievement by up to 8 per cent in Key Stage 2 in Science, and reduce absenteeism for all young people.¹⁵ Thus providing more healthy meals to low income students could help to close the attainment gap between students from lower income households and their wealthier peers.

Pilot projects have also shown that where free school meals have been made universally available, take up has gone up substantially (from 50 per cent to 70 or 80 per cent), the nutritional content of meals improved and dramatic gains were made in academic attainment, with pupils in pilot schools making around two months more progress than similar pupils in comparison areas.¹⁶ The effect on attainment was particularly strong for low-income children, possibly because (a) some children in poverty were entitled to free school meals who were not previously entitled and (b) as a result of reductions in the stigma which can accompany being one of the small number of children in a school claiming free school meals (which, in spite of schools' best efforts, is often apparent to other children as meal choices may be limited for example).

It is notable that a similar pilot scheme to extend free school meals entitlement to parents with earnings below a threshold of £16,190 did not achieve nearly such powerful results. There are clear benefits to universalism. But extending entitlement to free school meals to all children on universal credit would be considerably closer to a universal approach, especially in primary schools. Eventually half the country's children are expected to be in families claiming Universal Credit, but this proportion is expected to be higher among younger children as families with younger children are more likely to claim benefits.

c. Wellbeing of children in low-income families

Focus groups carried out with young people for our Going Hungry report, and more recently our Cost of the School Day research, showed that far too many children still feel stigmatised or excluded from their peers when they receive free school meals, and many believe that it is obvious which children are getting free school meals, as the following quotes from children and teachers make clear. This can lead to feelings of embarrassment, being separated from friends or – worryingly - not eating the food and missing lunch altogether.

¹³ Department for Work and Pensions, Households Below Average Income 1994/5 to 2015/16

¹⁴ Sorhaindo, A. & Feinstein, L. 2006 'What is the relationship between child nutrition and school outcomes?' Wider Benefits of Learning Research Report No 18. Centre for Research of Wider Benefits of Learning

¹⁵ Belot, M. & James, J. 2009 Healthy School Meals and Educational Outcomes Institute for Social and Economic Research, London

¹⁶ S Kitchen et al Evaluation of the Free School Meals Pilot, Impact Report.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/184047/DFE-RR227.pdf

'You have to stay here and have your free school meal, or you could go with them [friends who went elsewhere to eat lunch] and just watch them while you're starving' (student)

'It is easy to know [who is getting a free school meal], usually by what people choose' (student)

'Free school meal packed lunches, in those white bags... nobody eats them on trips. They [the children receiving free school meals] went to McDonald's and they just sat there.' (teacher)

'People say things because we get [free school meals]'. (student)

'[It makes me feel] excluded from the other children'. (student)

'It makes you feel different and like you are poor!' (student)

'I know some of my friends won't get their free lunch, they will wait to get home' (student)

'It was embarrassing, I never wanted to go and get something with people I know in the room. [It makes you feel] like you don't deserve to eat the food'. (student)

'I could get it confidentially, but every time I went to pay, the same amount of money appeared on the till so it was very easy for others to work out I was on free school meals' (student)

They also reveal that children are very aware of their parents' financial worries and how the cost of lunches contribute to this:

'£2 every day adds up, for one year it's quite a lot' (student)

'£40 a month, could be £80 if you have a brother. That's crazy!' (student)

'Lunches are £2 a day but [my friend] has four siblings, that's loads of money!' (student)

Our 2012 study with the British Youth Council also identified problems with the adequacy of free school meals, with some children still feeling hungry after a small lunch or during the morning (as they had no money for a snack at break time), while others ended up spending extra money on a larger lunch or a snack on top of their free school meal.

When people go into hospital – another vital public service – it is accepted as a matter of course that nutritious food will be provided free of charge to all, to ensure that all patients are well nourished and do not face additional worry and stress which could harm their recovery. A similar principle ought to apply in schools, where all children need to be well nourished and, as far as possible, free from stress and worry, in order to focus on learning and develop to their full potential.

3. Perverse incentives and poverty traps

One of the principal goals of Universal Credit was to ensure that additional earnings would always leave families better off and to avoid cliff-edges in family incomes. The introduction of an income threshold for free school meals completely undermines this, and will even mean that some people are made worse off by increasing their earnings.

A single parent of two children, working 16 hours/week on the 2018 National Living Wage of £7.83 per hour, would earn £6,514.20 a year and be entitled to free school meals. **If she increased her hours to 20 hours/week** on the same wage, her take-home pay would rise to £8,143.20 and she would lose entitlement to free school meals. She would gain £1,629 in earnings, but lose £1,026 in withdrawn Universal Credit and £800 in the value of free school meals – a total of £1,826. She would therefore be **almost £200 worse off a year**.

Others will not be made worse off but will see their work incentives slashed.

Under Universal Credit parents of school-aged children under 13 may be required – on pain of sanction if they do not comply - to look for work of up to 25 hours a week. If the same single parent increased her hours from 16 to 25 per week, as might be required of her, her take-home pay would rise to £9,937.20 and she would lose entitlement to free school meals. She would gain £3,423 per year in earnings, but lose £2,023 in withdrawn Universal Credit and £800 in the value of free school meals, leaving her only £600 a year - or **£11.50 a week - better off**. The effective pay rate for her additional 9 hours a week would be just **£1.30 an hour**.

If she had three school-age children, she would lose a further £400 a year in the value of free school meals meaning that she would be left only **£200 a year or £3.84 a week better off** – effectively working her extra hours for just **43p an hour**.

Cuts to Universal Credit work allowances have already significantly reduced the rewards from work for families on Universal Credit, as CPAG analysis with the Institute for Public Policy Research has shown.¹⁷ This threshold would make the situation considerably worse and put the government's ambition to make work a route out of poverty in serious jeopardy.

The proposed earnings threshold is expected to be approximately equal to 16 hours/week at the National Living Wage by 2020. This is also the threshold for families to escape the benefit cap, meaning that a parent increasing their earnings to avoid the benefit cap might find that some or all of the gains they make from being 'uncapped' are lost when they have pay for free school meals. More than half of families affected by the benefit cap currently have their benefit reduced by less than £50 a week. If a family was capped by only £30 or £40 a week, and had two or three school-age children, with weekly costs of £20 or £30 in term time for free school meals, this substantially reduces their incentive to become uncapped.

These factors mean that the proposed threshold risks creating a poverty trap for families, especially those with more children who are already at elevated risk of poverty.

¹⁷ J Tucker (2017) The austerity generation: the impact of a decade of cuts on family incomes and child poverty, CPAG. <http://cpag.org.uk/content/austerity-generation-impact-decade-cuts-family-incomes-and-child-poverty>

When combined with the other cliff-edges in the system which all occur at different levels of earned income – entitlement to free childcare for two-year-olds, entitlement to free prescriptions and dental care, and (until they are aligned) the benefit cap threshold – the proposed change to the free school meals threshold would further complicate work incentives and make it very difficult for families to work out whether they would really be ‘better off’ after a change in job or hours. This goes against the central aim of Universal Credit to simply make sure that work always pays.

4. Practical issues with an income threshold

a. Making a simple’ benefit more complicated

On top of the effect on work incentives described above, the introduction of an income threshold for free school meals will make it harder for families to work out the effect of increasing their earnings or hours on their eventual effective income, and harder to plan and budget their finances. This is particularly true when combined with the different thresholds for eligibility to other passported benefits.

For families who have fluctuating earnings, who are self-employed and therefore subject to the Minimum Income Floor, are subject to the Surplus Earnings rules, are claiming varying childcare costs, or who sometimes find that their pay schedule does not align with their Universal Credit assessment periods leading to fluctuating Universal Credit awards, it may already be very difficult for families to calculate in advance how much Universal Credit they will get each month and how this might be affected by their working patterns. It would be enormously helpful for families if they did not also have to worry about whether they will have to pay for free school meals.

b. Issues with the assessment of income under Universal Credit

The consultation document did not give any indication of how the assessment of income is intended to work and over what period income will be considered. Attempting to assess entitlement to free school meals on the basis of income in a single month would probably cause serious problems because:

- Families could move in and out of entitlement month to month, which is not practical for school funding.
- Many working people on Universal Credit have months where their earnings *for the purposes of Universal Credit* appear to be higher or lower than their real-life earning pattern, for example if their payday comes early or late due to a bank holiday, or if they are paid weekly and receive four paydays in some Universal Credit assessment periods and five in others.
- For families with variable earnings, for example working on a zero-hours contract or with variable overtime, assessing earnings on the basis of a single month risks excluding families who happen to be caught in a month where earnings were higher than usual.
- Other payments such as backpay or tax rebates may be treated as current earnings by Universal Credit systems, even if they are not actually current pay.

It might therefore be suggested that pay ought to be averaged over a certain period, e.g. a year or six months, but this approach would exclude families who have experienced a drop in income or recently lost their job. The only way to avoid these risk and ensure no child is wrongly excluded would be to offer either average earnings OR earnings in the last assessment period as an entitlement condition, and to permit different periods of averaging for people in different circumstances. To be treated fairly a seasonal worker might ideally have pay averaged over a year. Someone who had their pay cut two months ago, but happens to have had both their new paydays in one assessment period, in the interests of fairness might ideally be assessed based on an average of the last two months. This would evidently create huge complications.

Furthermore if people have not been on Universal Credit for very long, or have moved in and out of entitlement, it may not be possible for the Universal Credit system to provide the necessary information to assess average pay (or even to assess current pay, if families have newly claimed and are awaiting their first Universal Credit payment). Provision would have to be made to assess pay in other ways for such families.

In short, it looks likely that any approach to assessing income will inevitably be flawed and lead to a significant number of children who the policy intends ought to receive free school meals, instead missing out. The alternative would be a hugely complicated (and costly) assessment system, which is probably undesirable for many reasons including a higher chance that families are deterred from claiming by the complexity of working out if they are entitled.

It is not clear from the consultation document whether these issues have been fully considered, whether any attempt has been made to assess the implications of different approaches to assessing income on the numbers of children who would receive free school meals, or what sort of assessment mechanisms current data and IT systems could cope with.

It is widely accepted that any means-tested system will result in imperfect targeting and the exclusion of some people who 'ought' to be entitled. When we are talking about ensuring that children in poverty have a decent meal at school – one of the most fundamental things we ought to provide our children as a society – this is hard to justify.

By far the easiest and most effective way to overcome this host of complications and ensure that all struggling families receive free school meals would simply be to leave the current arrangements in place so that all children on Universal Credit receive free school meals.

We recognise that extending free school meals to all children on universal credit would bring additional costs. However these costs are not high relative to the benefits which free school meals bring to children and the benefits to families of a clear, simple Universal Credit system which always rewards work. If the costs of extending both free school meals and the pupil premium to all children on Universal Credit are prohibitive, the department might consider using separate metrics to determine eligibility for free school meals and entitlement to the pupil premium. A full analysis of the effects on school funding would of course be important but there appears to be no fundamental reason why the two must use the same threshold.

Question 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?

All children in families on Universal Credit should continue to receive free school meals, removing the need for such arrangements.

If an income threshold is to be adopted, we welcome the transitional protections which are proposed, but call for more attention to be given to protection for families who move out of entitlement *after* the transitional protected period.

Families with variable earnings could move in and out of entitlement in a way which is both confusing and very disruptive to their budgeting and finances, and the additional costs of free school meals could plunge a family which is earning just enough to lose eligibility into serious financial difficulty, especially if they have several children. Providing free school meals for all children on Universal Credit would substantially reduce the severity of this risk as described above.

Whatever entitlement condition is eventually agreed, we strongly recommend that a run-on period of entitlement of at least one term or three months be established for families who move out of entitlement (whether by losing entitlement to Universal Credit or exceeding whatever income threshold is eventually agreed), to avoid a sudden financial shock.

Question 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?

The consultation document rightly notes that children with certain protected characteristics have an increased risk of experiencing poverty. This includes children with disabilities and special educational needs, and those in certain ethnic groups.

As noted above the proposal will mean fewer children receiving free school meals than if the current legislation (in which all children in families claiming universal credit are entitled) were maintained, around a million of whom will be in poverty and thus disproportionately likely to be in these protected groups. Since BME communities are more likely to have larger families, this group is likely to be affected disproportionately by this policy.

By extending free school meals to all children in families claiming Universal Credit, ensuring that virtually all children living below the poverty line would benefit, this would be avoided.

Question 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 understand the concern to have effective measures of disadvantage which provide for comparable data over time on the attainment gap. However it is our view that this is a secondary consideration when it comes to setting the entitlement condition for free school meals, with the primary condition being the benefit to children who are experiencing disadvantage. It is our understanding that it is now technically possible to link data sets on educational attainment and family characteristics including income. We therefore suggest that free school meal entitlement does not have to remain the main measure of disadvantage used when looking at educational attainment,

and that more sophisticated approaches might be possible in the future in any case. We would be happy to respond to any consultation in future to assist in establishing what an appropriate metric might be.