

SECTION 1. WHAT ACTION IS THE WELSH GOVERNMENT CONSIDERING AND WHY?

(Please note that this Section will be published)

In narrative form, please describe the issue and the action proposed by the Welsh Government. How have you applied / will you apply the five ways of working in the Well-being of Future Generations (Wales) Act 2015 to the proposed action, throughout the policy and delivery cycle?

This Integrated Impact Assessment has been produced because the Welsh Government will introduce revised eligibility criteria for free school meals with effect from 1 April 2019 and due to the continued rollout of Universal Credit across Wales.

Universal Credit is being rolled out gradually across the UK. The rollout in respect of new claimants was completed in Wales in December 2018 and some families in receipt of the benefits it replaces have already been migrated on to Universal Credit (if they have had a change in their circumstances). It is currently expected that all remaining claimants will be migrated onto Universal Credit between 2020 and 2023.

Under current legislation, children and young people are eligible to apply for free school meals if they or their parent(s)/guardian(s) receive certain benefits and tax credits¹. Universal Credit will replace these, but will also replace other benefits and tax credits², receipt of which would not previously have made the recipient families entitled to free school meals.

The Free School Lunches and Milk (Universal Credit) (Wales) Order 2013 temporarily extended eligibility criteria for free school lunches and milk to include all families in receipt of Universal Credit. This was in anticipation of the wider rollout of Universal Credit, as an interim measure to protect the children of Universal Credit claimants who would have been entitled to free school

¹Including Income Support, Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance and Child Tax Credit.

² Housing Benefit and Working Tax Credit.

meals under the previous system, to ensure they weren't disadvantaged because their parent(s) received Universal Credit instead.

As the rollout of Universal Credit advances, the number of pupils who become entitled to free school meals will continue to rise. This will not only result in an increase in the costs of providing free school meals, it will also impact on the:-

- Pupil Development Grant, which is based on numbers of pupils who are eligible for free school meals.
- Education Improvement Grant for Schools - eligibility for free school meals is used as part of the formula for calculating the Education Improvement Grant
- Local Government Settlement funding formula – free school meal data is used as part of the Settlement calculation
- Accountability measures, used to monitor attainment of pupils who are eligible for free school meals, compared with those who are not.

No additional funding has been provided to the Welsh Government to manage the impact of the UK Government's welfare benefit changes. Although the number of pupils eligible for free school meals has not increased significantly according to the latest school census data (because Universal Credit has only been partially rolled out), by the time it is fully rolled out in 2023-24, we estimate around half of all pupils would be eligible for free school meals (compared to 16 per cent in January 2018).

In line with the *Well-being of Future Generations (Wales) Act 2015*, Welsh Government must consider the long term impact of change and, such an increase in the free school meal caseload would be unaffordable. Potentially, if Welsh Ministers needed to make some very difficult choices because of the increase in number of children eligible for free school meals, there could be adverse impacts elsewhere resulting from budget re-allocation(s).

The Welsh Government therefore plans to introduce an earned income threshold which will mean that those who have annualised net earnings from employment or self employment of more than

£7,400 will not be entitled to free school meals. A typical family earning around £7,400 per annum would, depending on their exact circumstances, have a total household income of between £18,000 and £24,000 once benefits are taken into account³.

Also in line with the *Well-being of Future Generations (Wales) Act* (“a more equal Wales”), Welsh Government’s priority is to ensure that those who are most in need of free school meals retain their eligibility. Extending eligibility for free school meals to all children in families claiming Universal Credit goes beyond the aim of providing free school meals to children in the lowest-income households. As families move onto Universal Credit, they can, in some circumstances, earn over £40,000 and still receive a small amount of Universal Credit.

The evidence of direct links between receipt of free school meals and improved health outcomes is not clear cut⁴. However, the Welsh Government’s provision of a healthy, nutritionally balanced

³ Source: DfE (2017) Eligibility for free school meals and the early years pupil premium under Universal Credit <https://www.gov.uk/government/consultations/eligibility-for-free-school-meals-and-the-early-years-pupil-premium-under-universal-credit>

⁴ There is some evidence which suggests that provision of a school meals, and free school meals for those that need them, can have health benefits and potentially allows children in low income families to have a nutritious meal - *Fair and Square: A policy Report on the Future of Free School Meals*. The Children’s Society (2012): https://www.childrensociety.org.uk/sites/default/files/tcs/fair_and_square_policy_report_final.pdf
We have found evidence which links universal free school meals with healthy eating behaviour. Research commissioned by the Department for Education in England on the *Evaluation of the Free School Meals Pilot* compared two approaches to extending eligibility for free school meals – universal free school meals in primary schools in two local authority areas and in the third local authority area entitlement to free school meals was extended to pupils in primary and secondary schools whose families were on Working Tax Credit whose annual income did not exceed £16,040 in 2009-10: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/184047/DFE-RR227.pdf

In terms of health impact, the universal entitlement pilot changed the types of food that pupils ate and drank at lunchtime - pupils in the universal pilot areas were significantly more likely to eat vegetables, chips or roasted/fried potatoes and rice/pasta/potatoes not fried in oil and to drink water. Pupils in the universal pilot areas were also significantly less likely to report eating crisps at least once a day. However, there were no other significant changes in the overall consumption of other types of food or drink on school days, despite the changes observed at lunchtime; nor were pupils in the universal pilot areas less likely to eat a hot meal in the evening.

The extended entitlement pilot had little effect on the consumption of different types of food and drink, either at lunchtime or overall.

In addition the *Evaluation of Universal Infant Free School Meals* by the Education Policy Institute (2018) showed that 30% of school leaders felt that pupils’ overall health had improved as a result of universal infant free school meals

meal for children from deprived backgrounds, for whom this might be the only hot meal of the day is certainly in line with Well-being of Future Generations (Wales) Act's goal of a healthier Wales.

The Welsh Government's will also introduce transitional protection to help ensure the change to free school meal eligibility criteria would cause the minimum possible disruption. Pupils who are eligible for free school meals at the point the threshold is introduced in April 2019 and new claimants under the threshold who gain free school meals during the rollout of Universal Credit will have their eligibility for free school meals protected during the rollout period (to 2023), even if their eligibility changes during that period. Thereafter the protection will continue to the end of the school phase (primary or secondary)⁵.

When Universal Credit is fully rolled out, any existing claimants who no longer meet the eligibility criteria at that point (because they are earning above the threshold) will continue to receive protection until the end of their current phase of education (e.g. primary, secondary).

The Welsh Government initially proposed to introduce the £7,400 threshold with effect from 1 January 2019. In line with the "involving" ethos of the *Well-being of Future Generations (Wales) Act 2015*, and being aware that there were calls for eligibility for free school meals to be extended to all families in receipt of Universal Credit, we held a public consultation on our proposals between 6 June and 14 September 2018. In all, 98 responses were received.

being implemented, while 54% 57 teachers surveyed felt that the policy had had a positive impact on the health of children eligible for free school meals.

<https://epi.org.uk/wp-content/uploads/2018/01/UIFSM-evaluation-7.compressed.pdf>

There is also some evidence that healthy school meals can help improve educational attainment by improving classroom behaviour and helping to improve academic performance - *Evaluation of Universal Infant Free School Meals*. Education Policy Institute (2018) <https://epi.org.uk/wp-content/uploads/2018/01/UIFSM-evaluation-7.compressed.pdf>

However, research by researchers from the Institute for Fiscal Studies (<https://www.ifs.org.uk/publications/8714>) has found that support for a one-year breakfast programme in disadvantaged schools delivered similar academic benefits to universal free school meal provision (though the gains were higher in Year 2 than Year 6). The breakfast clubs also significantly improved behaviour and concentration, and reduced absences – and did so at around one-tenth of the cost per pupil of universal free school meals.

⁵ Transitional protection will not be extended to claimants who are not on Universal Credit or legacy benefits, and are therefore unaffected by the change in free school meal eligibility criteria.

When asked whether there should be an earnings threshold, 84 respondents answered this question, of whom 43 disagreed. Additionally, when asked whether a threshold of £7,400 is appropriate, 56 out of the 83 respondents who answered disagreed. However, the Welsh Government has decided to proceed with its plans to introduce an annualised net earned income threshold of £7,400. The principal reasons for this are:

- We estimate that the vast majority of those eligible for free school meals will see no change to their free school meal eligibility.
- As already pointed out, no additional funding has been provided for the Welsh Government to manage the impact of the UK Government's welfare benefit changes on free school meals. The cost of any increase in the number of eligible children will need to be met from within existing budgets. If no threshold is introduced, by the time Universal Credit is fully rolled out in 2023, we estimate around half of all pupils would be eligible for free school meals (compared to 16 per cent in January 2018). This would be unaffordable.
- A significant increase in the number of pupils eligible for free school meals would result in some very difficult decisions and potentially reductions to budgets elsewhere.
- The higher the earnings threshold we introduce, the higher the risk that we will not be able to afford to pay for the increased number of free school meals.
- Our most up-to-date analysis suggests that more children will be eligible for free school meals throughout the Universal Credit rollout period because of this policy than otherwise would have been under the old legacy system. There are additional costs associated with this, but, the Welsh Government considers that these are affordable and is making additional funding available for free school meals.
- Using a net earned income threshold is consistent with the approach taken in other devolved administrations. In April 2018, England's Department for Education introduced a net earnings threshold of £7,400 per annum to assess a household's eligibility for free school meals under Universal Credit in England. In August 2017, the Scottish Government also introduced a net earned income threshold of £610 per month (equivalent to £7,320 per annum) for Universal Credit claimants in Scotland.

SECTION 7. CONCLUSION

(Please note that this section will be published)

7.1 How have people most likely to be affected by the proposal been involved in developing it?

In developing this policy we have consulted with Welsh Government officials from:

- Education Directorate
- Legislation Branch in the EPS Operations Team
- Legal Services
- Local Government Finance
- Prosperous Futures Division
- Communities Division
- Knowledge and Analytical Services
- Welsh Treasury

We have also liaised with other government departments, including:

- The Department for Work and Pensions (DWP)
- HM Revenue and Customs (HMRC)
- The Department for Education (DfE) in England
- The Scottish Government
- Department of Education Northern Ireland (DENI)

A public consultation was held between 6 June and 14 September 2018. As part of the broader consultation process, we engaged with Third Sector organisations working with children and families in Wales.

It was not considered appropriate to consult directly with children and young people who are the recipients of free school meals. Not only is this a very technical subject area, but some children and young people might not be aware that they, or their classmates, receive free school meals. There is a risk that in highlighting this issue directly with children or young people, it would cause distress and make them worry about household finances and/or create stigma for those that receive benefits/support payments and passported benefits such as free school meals.

7.2 What are the most significant impacts, positive and negative?

The provision of free school meals is in line with the well-being goal “a more equal Wales”, helping to ensure that children have access to a healthy and nutritious meal. There is some evidence⁶ which suggests that provision of a school meals, and free school meals for those that need them, can have health benefits and potentially allows children in low income families to have a nutritious meal. We have found evidence which links **universal** free school meals with healthy eating behaviour⁷ but no evidence to indicate a direct link between the receipt of free school meals and improved health outcomes. Providing free school meals can prevent hunger and give pupils the opportunity to access a free, healthy meal at school. There is also some evidence⁸ that healthy school meals can help improve educational attainment by improving classroom behaviour and helping to improve academic performance. Also, where eligibility for free school meals is used as a proxy indicator of pupil age deprivation linked to the provision of additional funding, as with the Pupil Development Grant (formerly the Pupil Deprivation Grant) there is evidence that this additional funding has some positive impact on educational outcomes⁹.

It can therefore be argued the provision of free school meals is in line with the “healthier Wales” well-being goal.

The Welsh Government’s priority is to ensure that free school meals continue to be available to those who need them most. The most desirable impact for the introduction of revised eligibility criteria for free school meals was therefore to introduce an earned income threshold that ensures free school meals are targeted at those who most need them, as well as protecting to families affected by the change. This needed to be achieved within existing budget. Our most up-to-date analysis suggests that more children will be eligible for free school meals throughout the Universal Credit rollout period because of this policy than otherwise would have been under the old legacy system. Our transitional protection offer will ensure that no child will lose entitlement to free school meals until the end of the rollout of Universal Credit in December 2023, and thereafter to the end of their school phase.

Welsh Government will monitor the impact of the new earnings threshold and transitional protection offer and will keep the threshold under review.

⁶ See Footnote 4 in Section 1 of this Integrated Impact Assessment.

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/184047/DFE-RR227.pdf

<https://epi.org.uk/wp-content/uploads/2018/01/UIFSMEvaluation-7.compressed.pdf>

⁸ Evaluation of Universal Infant Free School Meals. Education Policy Institute. (2018) (see link above).

⁹ Evaluation of the Pupil Deprivation Grant, Final report - December 2017:

<https://gov.wales/docs/caecd/research/2017/171213-evaluation-pupil-deprivation-grant-final-en.pdf>

We have considered the potential broader impact of the changes in eligibility criteria (particularly in the light of the number of children eligible for free school meals as a result of transitional protection) on areas such as the Pupil Development Grant, the distribution of funding for local authorities and the measurement of attainment levels for pupils from deprived backgrounds.

Pupil Development Grant allocations for schools have been fixed for the current and next financial years. We will be asking schools to record transitionally protected pupils separately to pupils who are eligible for free school meals on the Pupil Level Annual School Census from January 2020. We are working with local authorities, as part of the change management process, to help them adapt their systems and processes to record transitionally protected pupils. We will continue to monitor the attainment gap in light of the changes in eligibility criteria.

7.3 In light of the impacts identified, how will the proposal:

- **maximise contribution to our well-being objectives and the seven well-being goals; and/or,**
- **avoid, reduce or mitigate any negative impacts?**

We are supporting families affected by the introduction of an earned income threshold by putting in place a transitional protection offer, which would ensure that no child would lose entitlement to free school meals during the rollout of Universal Credit (and beyond for some children). We also plan to keep the threshold under review.

Our transitional protection offer will mean the following pupils would be protected against losing their free school meals:

- From 1 April 2019, all existing free school meals claimants would continue to receive free school meals whilst Universal Credit is rolled out (currently expected to be until 2023). This would apply even if they no longer meet the eligibility criteria period (e.g. if their earnings rise above the new threshold) at a later point during this period.
- Any pupil gaining eligibility for free school meals after 1 April 2019 would be protected against losing free school meals during the Universal Credit rollout period. This would still be the case even if they no longer meet the eligibility criteria at a later point during the rollout period.
- Following the completion of the roll out of Universal Credit, any existing pupil that no longer meets the eligibility criteria at that point (e.g. if their parent(s) earn above the threshold or are no longer entitled to Universal Credit) will continue to receive free school meals until the end of their child's current phase of education (i.e. primary or secondary).

As described above, the changes in eligibility criteria and the estimated increased number of children eligible for free school meals because of the threshold and transitional protection will impact on areas such as the Pupil Development Grant, the distribution of funding for local authorities and the measurement of attainment levels for pupils from deprived backgrounds. As a

mitigating action, Pupil Development Grant allocations for schools have been fixed for the current and next financial years. We will ask schools to record transitionally protected pupils separately to pupils who are eligible for free school meals on the Pupil Level Annual School Census from January 2020, so that we can continue to monitor the attainment gap in light of the changes in eligibility criteria.

7.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

The new eligibility criteria for free school meals will be introduced in April 2019. Predicting the effect of an earnings threshold on the size of the free school meals cohort is complex and difficult. We will therefore carefully monitor trends, taking into account the number of children known to be eligible for free school meals and those who are transitionally protected, the number of those taking-up their entitlement, as well as the associated impacts on the budget and any wider knock-on effects. School census data will be used to provide an indication of such trends, as well as additional data collection and analysis where necessary. School census information from January 2020 will provide initial information on trends.