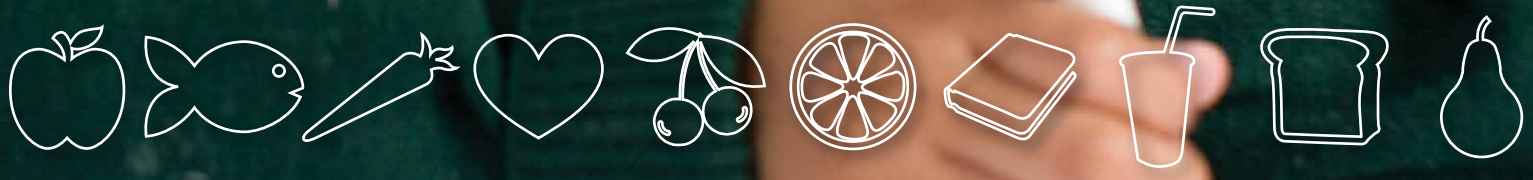




A policy report on the future of free school meals



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Acknowledgements

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1. Introduction

Free school meals (FSM) are a crucial entitlement for families living in poverty. They help to ensure that children from the lowest income families get a nutritious meal in the middle of the day.

As well as providing vital financial support for low income families, FSM also have important health and educational benefits for the children that receive them.¹ Evidence shows that eating a healthy school meal improves children's concentration during afternoon lessons and can have a positive impact on classroom behaviour.² Nutritious school meals for disadvantaged children can also help children to develop healthy eating habits and have the potential to decrease health inequalities.

However, there are significant issues with the current entitlement for, and delivery of, FSM. The loss of FSM entitlement on moving into full time paid work means that nearly a million children in poverty in working families are not entitled to the benefit. There are also ongoing issues about the stigmatisation of children who receive them.

The government is undertaking a fundamental overhaul of the welfare system with the introduction of Universal Credit, which will necessitate significant changes to FSM entitlement. This presents a unique opportunity to improve the eligibility criteria and delivery of FSM so that provision is extended to low income working families. By doing this the government would be delivering on its ambition to make work 'pay' and incentivise employment as the route out of poverty.

Methods

This report draws on a number of different sources to develop the analysis and results. These include:

- Primary data – including data from Her Majesty's Revenue and Customs (HMRC), the Department for Education (DfE), and the School Food Trust. These data are used to estimate the numbers of children entitled to FSM and those who take up their FSM entitlement, and to develop cost estimates for the extension of FSM to working families in receipt of Universal Credit.
- Data from the Department for Work and Pensions (DWP) about income disregards and withdrawal rates within the Universal Credit. These are used to assess the impact of different FSM options on household incomes under the Universal Credit.
- An online survey of 140 UK parents who are currently, or had recently, been entitled to FSM (whether they took up this entitlement or not).



2. Summary

Main findings:

- In England, about a third of school aged children living in poverty³ are not entitled to receive FSM – around 700,000.
- Although entitled, a further 500,000 do not take up their meals. This means that more than half (around 1.2 million) of all school aged children living in poverty in England do not receive FSM.
- The main reason that so many children in poverty are not entitled to receive FSM is because their parents are in work. The current eligibility criteria for FSM mean that parents working 16 or more hours per week (24 hours for couples from April 2012), lose their entitlement to FSM, no matter how little they earn.
- FSM can also lead to children being entitled to a number of other benefits – such as school clothing allowances, support with school trips, music lessons, and access to leisure centres. Families in low paid work may therefore also not receive these other forms of support.
- Our survey of parents indicates that the loss of FSM is a major work disincentive for them. Nearly half (45%) of parents in families in receipt of FSM are worried ‘a lot’ about the financial implications of the loss of FSM on moving into work or taking on additional hours. Six out of 10 felt that this had an impact on their decisions about moving into work or taking on additional hours.
- A nationally representative poll shows that more than 90% of people believe that children in low income, working families should be entitled to receive FSM (see Figure 7).
- The introduction of the Universal Credit presents a watershed moment for the future of FSM. The abolition of key benefits currently used for passporting to FSM entitlements means that a complete new system of entitlement needs to be put in place before October 2013. This provides a key opportunity to extend FSM to all low income, working families.

Policy recommendations:

1. The government should ensure that all children in poverty are entitled to receive FSM, and promote work incentives, by extending FSM entitlement to school children in families in receipt of Universal Credit.
2. All local authorities and school providers should introduce cashless systems in order to de-stigmatise the receipt of FSM.
3. The government should review the extent to which maintained schools and academies are adhering to the nutritional standards for school food, and whether secondary school pupils who take up FSM are receiving enough to buy a full and nutritious meal, with a range of choices available within budget.



3. Current provision of free school meals in England

Current entitlement criteria

In England, families with a child attending a state school are normally entitled to receive FSM if they are working under 16 hours per week (from April 2012, 24 hours for couples) **and** their income is under £16,190.⁴

A small number of local authorities have decided to extend FSM beyond this eligibility. For example, Islington has independently decided to make FSM available to all nursery and primary school children.⁵ However, the national entitlement criteria rule out low income, working families from receiving FSM.

How many children receive FSM?

There are around 2.2 million state school children living in poverty⁶ in England.

Around 1.5 million children in state schools in England meet the eligibility criteria for FSM, meaning that there are at least 700,000 children in poverty who do not.

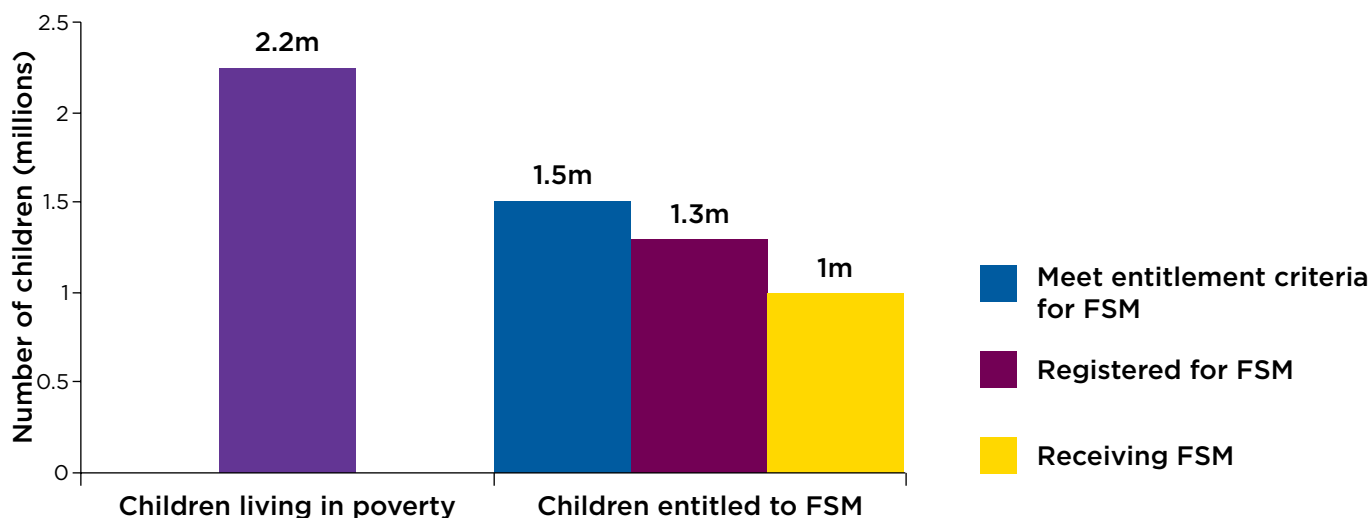
However, not all of those children who meet the eligibility criteria have a FSM every day. Around 200,000 of these children are not registered for FSM with their school, and of those registered, each day around a further 300,000 do not eat the meal.

Therefore of the 2.2 million school children living in poverty in England only 1 million receive FSM. This means that each day at least 1.2 million children in poverty do not get FSM.⁷ 700,000 of these (or about a third of school children in poverty) are not entitled to FSM at all (see Figure 1).

Calculating numbers of children who are and are not entitled to free school meals

- In January 2011 there were around 7.5 million children and young people in state maintained schools in England.⁸
- Around one in five of these children are entitled to FSM.⁹ This equates to around 1.5 million state school children in England.
- Most recently available statistics indicate that around 1.3 million children in England are eligible for and claiming FSM.¹⁰
- Of children registered for FSM¹¹ 80% (pupils in primary schools) and 69% (pupils in secondary schools) took them up – an average across the two of almost 75%¹² or around 1 million children.

Figure 1: Entitlement to FSM and children in poverty



Why do so many children in poverty not get free school meals?

There are three key reasons why so many children in poverty do not receive FSM.

1. Not all children living in poverty are entitled to receive them. Children living in low income working households are not normally entitled to receive FSM. As already highlighted, around 700,000 school children living in poverty are not entitled to receive FSM.

This is because the eligibility criteria for FSM mean that parents working 16 or more hours per week – 24 hours for couples from April 2012 – and so are entitled to receive working tax credit, lose their entitlement to FSM.

Latest statistics show that more than half of children in poverty (58%) live in low income working families.¹³ Many of these children will not be entitled to receive FSM because of their parents' work status. Respondents to our survey said:

'When I started working (going from income support) as a single parent I found it too expensive to be able to pay for school meals for my children.'

'the FSM system should be looked into, the weekly cost of school meals is about £10 or more – times this by the number of children it would mean that I would need to pay £30 or more a week for a cooked lunch.'

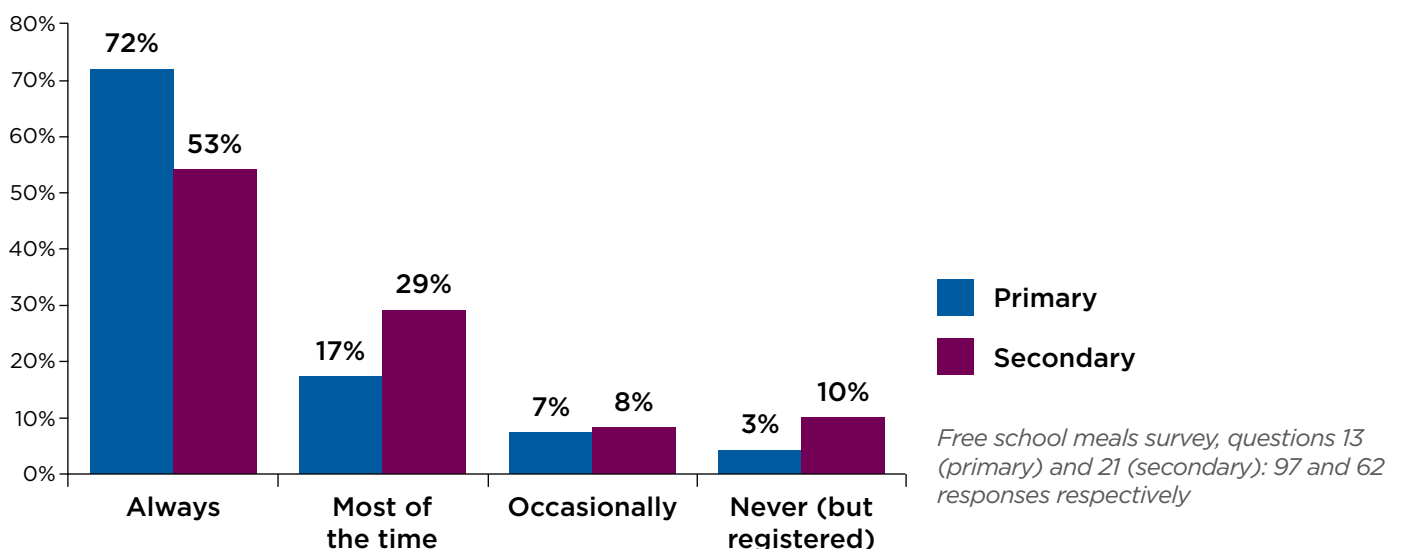
2. Not all families who are entitled make a claim. Even if they are entitled to FSM, some families choose not to make a claim. This may be because their children do not want the meals or it may be because the parents do not feel the meals are of good enough quality for their children. There are also ongoing issues around the stigma attached to the receipt of FSM. Some of these issues are discussed in more detail in Chapter 5.

It is important to note that schools are increasingly asking parents to sign up for FSM even if their children decide not to take them, because they may receive additional support based on the number of children registered for FSM. Of the estimated 1.5 million children eligible for FSM, around 200,000 are not registered.

... around 700,000 school children living in poverty are not entitled to receive FSM.

3. When the family have made a claim, not all children choose to eat the meal. Even if the parents choose to register for FSM, children do not always eat them. Of the around 1.3 million children registered for FSM, around a quarter (325,000) do not take them up on any particular day.

Figure 2: When you are entitled to free school meals, do children take them?



As shown in Figure 2, our survey found a similarly mixed picture of take up – whilst the majority of parents who registered said their children (in both primary and secondary school) ate FSM ‘always’ or ‘most of the time,’ only around three quarters of primary, and half of secondary school students were ‘always’ taking one. One in 10 primary and one in five secondary school children registered for FSM ‘never’, or only ‘occasionally’, had them.

Some children do not always want their FSM as they may not like them or have the time to eat them because of lunchtime activities. Parents responding to our survey noted:

‘My son preferred to eat at break to participate in lunchtime clubs. FSM is not available at break time.’



Nancy and Mark’s family

Nancy is unemployed and has a partner who is on Employment Support Allowance. They have three school age children, two are in primary school and are receiving FSM, and one is in secondary school but because he recently changed schools, he is still waiting for his FSM application to be processed.

For Nancy’s children, their school lunch is the main meal of the day. In the evening they often just have a smaller dinner, especially if they are all tired. FSM are therefore very important as they guarantee her children a good meal.

Before the FSM applications were completed for all her children, Nancy and her partner had to provide packed lunches for a few weeks. She found that they cost the family around £30 a week (£10 per child). Nancy found that the supplies and snacks for packed lunches were *‘ridiculously priced’*.

Another additional cost was that she found her children enjoyed snacking on the items intended for their packed lunch during the evening so it was harder to budget. Once she had FSM sorted for her children she had more for the weekly food shop: *‘that was an extra £30 of food in the freezer’*.

She is very happy with the school meals her children are provided for in their primary school as they have the choice of a good range of hot food.

At his previous school, her eldest son received FSM. She found that he needed some extra money to supplement

the value of the FSM as it only covers the equivalent of a slice of pizza and a drink. The value of the FSM was £1.95 but Nancy thought that at least £3 a day was necessary. The meal at the secondary school was also unsatisfactory as it was mostly junk food, leaving Nancy concerned about her son *‘not having a proper meal’*.

Children at the school who receive FSM get a token to hand in so they are clearly identifiable leading Nancy to also have concerns that this alienates her son from his peers. The school was even thinking of introducing staggered lunches with FSM children going into the canteen before others leading to further segregation of those in receipt of FSM.

Nancy is concerned about the loss of FSM if she were to move into work because as well as rent, council tax, travel and childcare costs – paying for school lunches or providing packed lunches is *‘so expensive’* with three children.

Nancy believes all children should get FSM as it would guarantee all children get a good meal and it would remove the prejudice towards those on FSM:

‘If every child had a free school meal then there would be no stigma because everyone would be the same. You feel embarrassed to say you are on free school meals – the children see the differences.’

4. What impact do the current free school meal eligibility criteria have on family finances and on decisions about moving into work?

FSM have a substantial financial value. The most recent available data indicate that school meals cost an average of £1.88 in local authority (LA) catered primary schools, and £1.98 in LA catered secondary schools.¹⁴ Assuming an average across the two of £1.93 for each child, FSM are worth approximately:

**£1.93 x 5 (days per week) =
£9.65 per school term week**

**£9.65 x 38 (weeks per year)
= £367 averaged over the
course of the year.**

As already highlighted, parents who begin to work 16 hours or more per week (24 hours for couples from April 2012), lose their entitlement to receive FSM. This can hugely undermine work incentives.

For example, a lone parent with three school aged children would currently be entitled to £272 per week benefit income (after housing costs) when out of work.

Working 16 hours per week on the minimum wage (£6.08 per hour) their income would be around £363 per week (a gain of £91). £29 in school meal costs reduces the gain to £62, representing around a third of the overall financial benefits of working.

In addition to the direct value of the FSM entitlement, receipt of FSM may also provide access to other benefits. For example, the Direct Gov website notes:

*'Some schools and local authorities offer extra support to children who are registered – for instance, help with the cost of school trips or music lessons.'*¹⁵

One of the parents we surveyed noted:

'... receiving free meals also allows my children access to music lessons at a reduced rate as well as half price entry at our local leisure centre, this allows them to participate in activities that I would be unable to afford.'

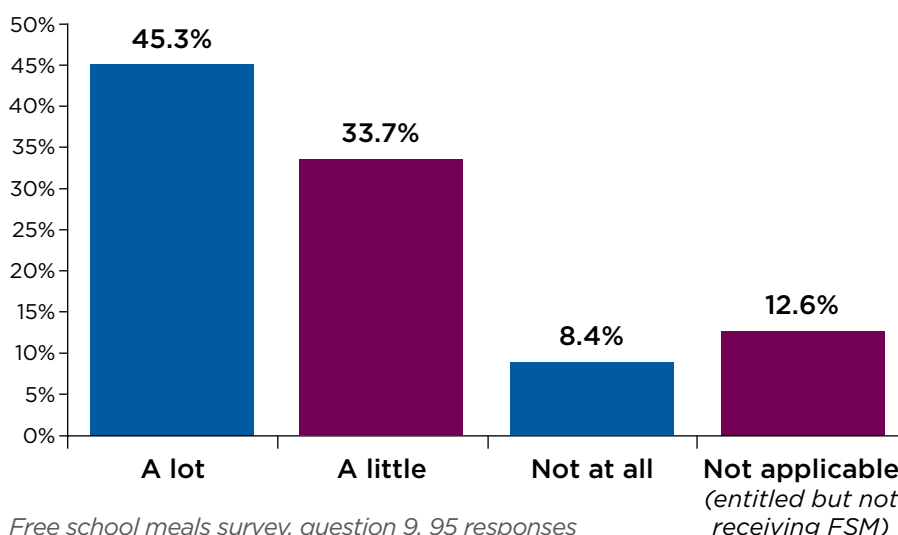
There are many working families who live below the poverty line and do not qualify for free meals and this is one area that needs to be looked at.'

Entitlements such as school clothing allowances,¹⁶ or reduced price access to leisure facilities¹⁷ contribute to the overall value of entitlement to FSM.

Parents told us about the impact of the loss of FSM on their family finances:

'the difference between me working or not is about £40, half of which is now paid out in school meals. It has a huge impact'

Figure 3: How worried are you about the financial implications of losing your FSM if you or your partner move into work or take on additional hours?



We asked parents who are currently entitled to receive FSM how worried they are about the financial implications of the loss of FSM if they moved into work or took on additional hours. Around half of respondents said they worried 'a lot' about this. Less than one in 10 were not worried at all about this.

Many parents were worried that, in large part as a result of the loss of FSM, they could actually be worse off as a result of moving into work.

'If I move into work I could actually be getting less money than I do now – I get disability benefits and would then have to start paying for the school meals but with a lower income'

'When I move into paid work (I am currently a carer/ single parent) my income will be lower – school lunches are yet another thing to worry about.'

There appears to be a clear work disincentive effect. More than a quarter of respondents said that the impact on their FSM entitlement affected their decisions about moving into work or taking on additional hours 'a lot'. Six out of 10 said it affected these decisions to some degree.

As discussed in more detail in Chapter 6, changes as a result of the introduction of the Universal Credit could lead to the FSM eligibility criteria having an even more substantial impact on work incentives.

Amy's family

Amy is a single mother with four children, one at primary school and two at secondary school. She is unemployed and receives income support.

Her three children at school receive FSM. She would find it very expensive to pay for her children's school meals every day and is less worried now that they have FSM. The school day is long and she thinks it is really important for her children to have something decent to eat to keep them going.

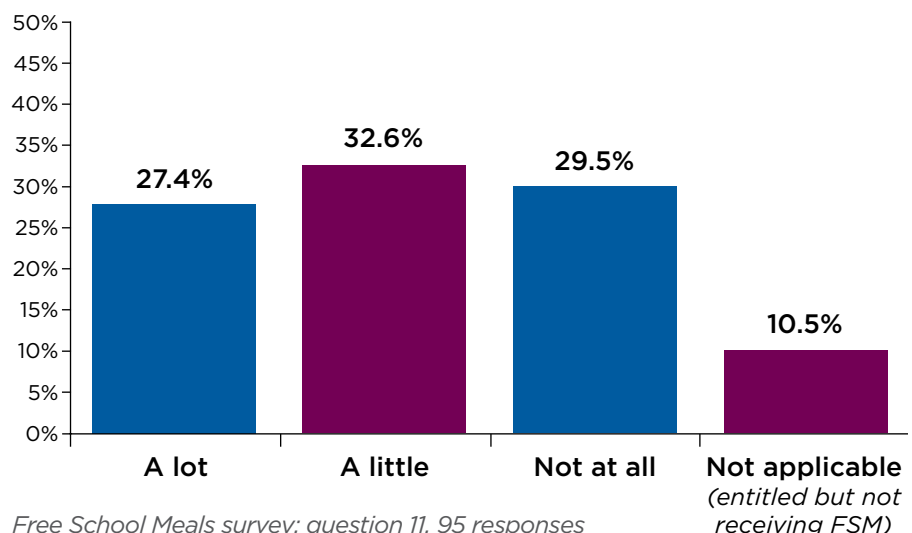
However, the FSM only covers enough for food and her children sometimes ask for extra money to buy a drink. She is also concerned that the food options at the school are not very healthy and the school should either provide better monitoring of the children's food choices or provide more nutritious options.

The secondary school her children attend has a cashless system with each child issued with a meal card and for those on FSM this is topped up to the value of the FSM. She feels that the meal card is less stigmatising because all her daughter's friends have them. The card system means *'all the kids are the same'* and she believes all schools should use a cashless card system.

Amy does want to work part-time eventually when her baby is older. However, she is worried about the implications of losing FSM if she moved into work especially with having to provide for four children and cover childcare and travel costs.

Amy believes all low income families should receive FSM even those who are working full-time because many of them are still only just *'making ends meet.'*

Figure 4: To what extent does the impact on your FSM entitlement affect your decisions about moving into work or taking on additional hours?



5. Families' views on free school meals

Is there still stigma attached to FSM?

There have been longstanding concerns about the stigma associated with the receipt of FSM. Research has identified that many children do not claim their entitlement to FSM due to teasing, bullying and fear of stigma.¹⁸ Many parents we surveyed remained concerned about this:

'My older children have had free meals in the past and have been bullied as a result'

One respondent noted that: 'The staff think you're worthless'.

Another simply highlighted 'Unkind and unpleasant remarks'.

There was a great deal of variation in the level of concern felt by parents. In part there was variation by age, with primary school children less likely to be aware of who was and was not in receipt of FSM. However, it was clear that stigma was eliminated if children were in schools where FSM recipients cannot be identified. For example, in schools where meals are pre paid for or where cashless systems operate – such as a card based or biometric system. One mother we interviewed stated that the card system they use at her child's school means '*all the kids are the same*'. Parents from the survey also noted:

'As we have a cashless system others kids need never know my kids have FSM. They are a godsend and I would really struggle without them.'

'The only way anyone would know is if my kids choose to say. With the cashless system it's completely confidential.'

'Because of the system (fingerprint at till), money is added automatically to account... and nobody knows who is who.'

However, in the schools where children who receive FSM were easily identifiable there was a different story:

'My child enjoys most of his school meals. He's becoming aware that not everyone gets them free though, and this is a cause for embarrassment - if the school could come up with a system where everyone had a lunch ticket, paid for in advance, that would save a lot of heartache'



For these reasons, one of our recommendations is that cashless systems are extended to all schools, in order that children in receipt of FSM are not differentiated from their peers.

What do parents think of the quality and nutritional value of FSM?

High quality food provided in schools can have a significant impact on a child's health and development. This is important as growing up with a poor diet can lead to health problems in childhood and in later life. It can also have a negative impact on children's mental well-being.¹⁹ Healthy and balanced diets are also crucial to limiting or avoiding serious conditions such as child and adult obesity,²⁰ diabetes, high blood pressure, cancer and heart disease. Research has also shown that school meals are often healthier than packed lunches, with only one percent of packed lunches meeting the nutritional standards set for school lunches.²¹ The nutritional value and quality of FSM are central to encouraging take up and improving the health of our nation's children.

When asked why their children take up FSM when entitled, around 30% of parents with primary school children, and 35% of secondary school parents, said one reason was that they are healthy. A parent responding to the survey stated:

'The menu at my child's school is interesting, varied and nutritious.'

Providing children with a nutritious meal at school can also influence food choices in the home as children learn about healthy food options. Research has indicated that the food eaten at school has a central role in shaping children's diets.²²



A parent we interviewed told us that her son is a fussy eater but is encouraged to try a variety of food when he sees his friends eating their school meals.

However, in the survey some parents expressed their concern about the quality of the school meal their children were receiving. Parents said:

'I don't think the school is providing enough healthy options'

'The school meals are high in fat and less likely to be healthy for my children.'

Some parents surveyed also suggested that in some cases the amount provided for FSM is not sufficient to buy full meals for their children, or that there is very limited choice for those in receipt of FSM:

'A main meal and pudding cost more than my daughter is given on her lunch card!'

'In secondary schools there is often a large choice of meals available – but only one choice for FSM (the 'meal-deal'). Not very fair for the child.'

Others raised the issue that support with FSM does not always include money for a drink.

There have been significant improvements in the quality of school food in the past few years with the introduction of statutory nutritional standards for school food and the setting up of the School Food Trust.²³ These include restrictions on confectionary, pre-packaged savoury snacks and high-sugar fizzy drinks, and increases in fruit, vegetables and high quality meat and fish. Research from the School Food Trust indicates the benefits these improved standards have had on pupil concentration and engagement with lessons.²⁴ However, currently these statutory standards are only for maintained schools so do not apply to academies and free schools. It is a concern that with the recent increase in academies, many more children will be attending schools that do not have legal binding nutritional standards. Academies and free schools must be covered by the nutritional standards in order to ensure all children are receiving nutritious, high quality food in school (see recommendation c).

FSM are particularly important for disadvantaged families. Research studies have found that poor diets can be prevalent and child obesity is particularly high in low income families.²⁵ Healthy food options can be less accessible and more costly making it more difficult for financially constrained parents to provide nutritious meals for their children.

Poor children on average eat half the daily recommended fruit and vegetable intake, exceed recommended daily sugars and saturated fat intakes and often eat inadequate levels of iron,

folate and vitamin D.²⁶ FSM enable children to have an adequate meal when there may be reductions on food spending at home²⁷ as one parent in our survey wrote:

'It ensures the children get healthy balanced meals when the budget at home is so tight.'

Nutritious school meals for disadvantaged children therefore have the potential to decrease these dietary inequalities. For some school children their free school lunch may often be the only healthy cooked food they get, and for some it can be their only meal of the day. As one parent in the survey stated:

'It's peace of mind that he's had a decent meal at school.'

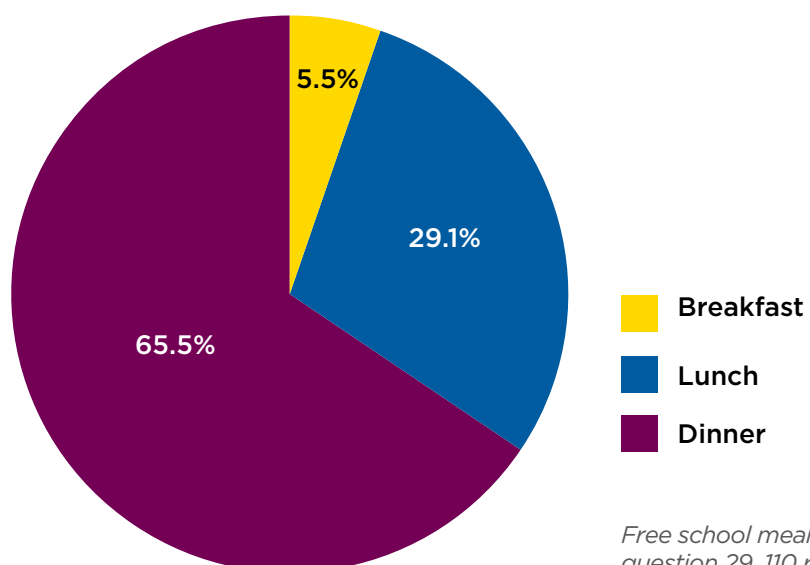
The response from a parent below graphically illustrates the impact the loss of FSM can have on a child's diet:

'Child liked the meals when he was entitled to them. Now he just has a bread roll if I don't have the full money'

The survey asked parents which meal was their child's main meal of the day and (as shown in Figure 5) although the majority said dinner, nearly a third said that their child's lunch at school is their main meal.

This highlights the importance of ensuring all school meals are of high quality. An evaluation of Jamie Oliver's 'Feed Me Better' campaign, a campaign which in 2004/05 focused on improving the quality of school meals served in the London Borough of Greenwich, found that the campaign had a positive effect on Key Stage 2 results in English and Science.²⁸ The study found that the percentage of pupils across Greenwich reaching level 4 in English increased by 4.5 percentage points, and the percentage of pupils reaching level 5 in Science increased by 6 percentage points. The nature of the campaign meant that the evaluation could use other local authorities with similar characteristics to Greenwich as a natural control group, meaning the results identify a direct causal effect of improved school meals on educational attainment.

Figure 5: Which meal is your child's main meal of the day?



Free school meals survey: question 29, 110 responses

Jennifer's family

Jennifer is a single mother with four children, three of them in primary school. One of her children has Autistic Spectrum Disorder, one has mental health issues and the baby has restricted growth syndrome. She receives FSM for all her primary school aged children at the value of £1.85 per day.

The children's main meal of the day is their FSM and they do get a healthy cooked meal at school although she does think there could be more variety. Her children like the school lunch as it is a hot meal and is well cooked. They also like sitting and eating a meal with their friends and are more likely to try new foods at school as their friends are having them too.

The health visitor told Jennifer about her entitlement to FSM for her children. Two of the applications were processed fine but one form got lost. So for eight weeks she had to pay for one child's school meal and this *'did make things hard financially'*.

She is concerned about the stigma of FSM and has said that for the *'older ones it has to be kept discreet... otherwise they will be bullied'*. She expressed a particular concern that if her son with mental health problems was bullied, he could turn violent and be expelled.

During school holidays, Jennifer finds it very expensive to pay for three extra lunches per day and her weekly shopping bill goes up between £30-£40. She finds that she cannot take her children out on day trips or to activities as much as she would normally.

Jennifer is concerned that if she moved into work, school meal costs would be part of a range of extra costs she would face. She believes all families on a low income, including those who are working, should get FSM for their children.



6. What does the future of free school meals look like?

As a result of the introduction of the Universal Credit, the eligibility criteria for FSM have to change substantially by September 2013. This is because key benefits which determine whether a family is entitled to FSM (including Income Support, Job Seekers' Allowance and Child Tax Credit and Working Tax Credit) will all cease to exist for new claimants,²⁹ and be replaced by the Universal Credit.

Under the current system, the loss of FSM at 16 hours of work per week, (24 couples from April) is partially alleviated by gaining substantial additional benefit income (through Working Tax Credit) at the same hours threshold. This means that although the benefit of working 16 hours per week are reduced by the loss of FSM, the family will normally still gain income overall at the point where they lose their FSM entitlement.

There will be no threshold (either of hours or earnings) within the new Universal Credit system at which the family gain a substantial increase in benefit income. Instead, household income increases gradually as earnings increase. This means that there is no point at which the loss of FSM is covered by other benefits. This creates a 'cliff edge' where if a claimant exceeds this point, the costs exceed the benefits. This effectively means that you lose money for earning more or working longer.

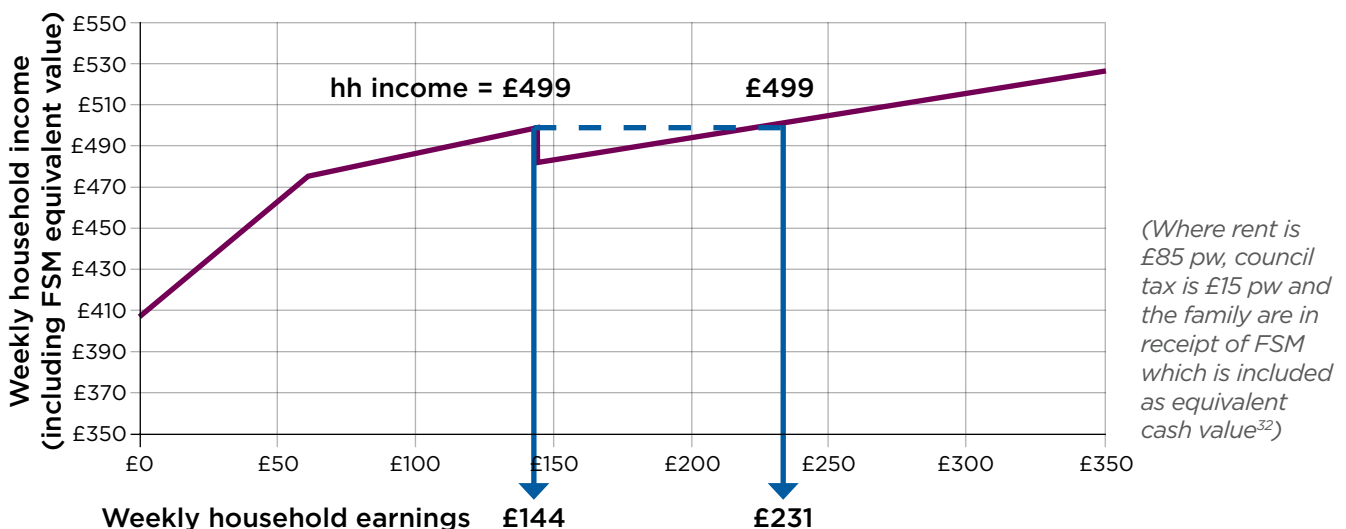
The government has indicated that they are considering how to replace the current entitlement criteria, perhaps through an income threshold at which FSM entitlement is lost.³⁰ However, the final decision for how FSM are dealt with remains under consideration.

Figure 6 illustrates the potential impact on the income of a lone parent with three school aged children with an earnings limit of £7500 per year (£144 a week) to be imposed on FSM entitlement.

It is clear that this situation would create a severe work and work progression, disincentive. A family earning £143 per week would be substantially better off than a family who (as a result of taking on additional hours or receiving a pay rise) earned just over the £144 threshold.

Because of how Universal Credit entitlement is structured - with high withdrawal rates of benefits when earning more or working longer hours - many of the families affected will have to earn far more before they recover the loss of FSM.

Figure 6: Household income under Universal Credit³¹ for lone parent with three children with earnings limit of £144 per week for FSM entitlement.



In the case given, the parent would need to earn an additional £88 per week (more than £4500 per year) before their income fully recovered from the loss of FSM. This means that the person's earnings would need to increase from £7500 to more than £12000 a year before their overall income, including the value of FSM, reached the level it was at when their earnings were below £7500.

The loss of FSM is also likely to be exacerbated as the family would also lose the additional entitlements that are provided locally as a result of the receipt of FSM, including uniform allowances and reduced price access to leisure facilities. Once these are taken into account the effective 'cliff edge' may be even greater.

The government need to consider alternative options for provision of FSM which do not create a benefit cliff edge that leaves low income families worse off for earning more. We believe that the best way to address this is to extend FSM to children in all families eligible to receive the Universal Credit. This option is discussed in more detail in the following chapter.

... a benefit cliff edge that leaves low income families worse off for earning more.

7. Extending free school meals to all Universal Credit recipients

The introduction of the Universal Credit creates a unique opportunity to ensure that all children in poverty get FSM, including those in lower income working families, by extending FSM entitlements to all Universal Credit claimants. We estimate that this would mean an additional 1.3 million children would receive FSM. For a full explanation of how this proposal would work, see Appendix 1.

What are the benefits of extending entitlement?

1) Children in poverty in working families would receive FSM. Many families with children may continue to retain some level of Universal Credit entitlement even with relatively high earnings. Extending FSM to these households would mean that almost all children in poverty in working households, and out-of-work households, would receive FSM.

2) Extending entitlement to children in low income working families could help to reduce stigma for all recipients, since FSM would be available to a significantly increased proportion of children, and would not be associated with worklessness.

3) Work incentives would be substantially better for parents with school aged children compared to alternative options for the provision of FSM under the Universal Credit. For a detailed explanation of the reasons for improved work incentives, see Appendix 1.

What would this cost?

Our estimates suggest that the cost of providing FSM to all children in families in receipt of Universal Credit in England would be around £500 million per year.

However, if necessary, the cost to government could be significantly reduced through partial payment from parents by reducing their Universal Credit 'income disregard'. This could reduce the cost to government to around £290 million were a reduction in household income disregards of around £5 per week applied for each child receiving FSM in the household. For a full explanation of how these reduced income disregards could be applied, see Appendix 1.

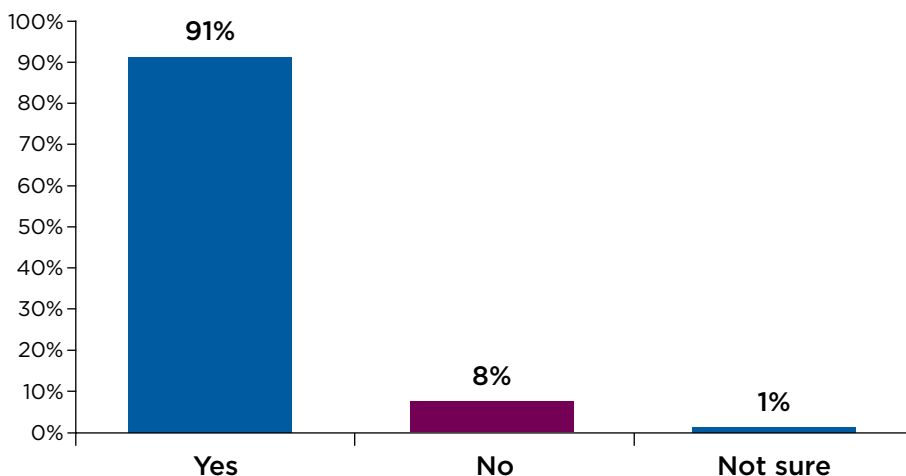
For a full explanation of the costs of extending FSM to all children in families in receipt of Universal Credit see Appendix 1, and Appendix 2 for full policy costing tables.

What public support would there be for doing this?

There is widespread support for allowing children in low income, working families to have FSM.

A nationally representative poll conducted by GFK NOP on behalf of The Children's Society (Figure 7) found that more than 90% of people believe that FSM should be available for all children in poverty, including those in working families.

Figure 7: Should FSM be provided for school children living in poverty, including those in working families?



Base: UK, all adults 16+, 1000 respondents, 6 Feb 2012

8. Conclusion and policy recommendations

FSM are a key benefit for low income families, ensuring that children in these families get a healthy lunch at school and easing the strain on tight family budgets.

However, around 700,000 children in poverty are not entitled to receive FSM, with many of these coming from low income, working families. The loss of FSM when parents move into paid employment of more than 16 (single) or 24 (couple) hours per week, regardless of income, is not only unfair, but it also creates a severe work disincentive. Six out of 10 parents in our survey said that the loss of FSM has an impact on their decisions about whether to move into work or take on more hours.

There is a risk that this situation could become even worse following the introduction of the Universal Credit. The possibility of introducing an earnings threshold for FSM could lead to

a situation where low income families lose out for increasing their working hours or their pay.

Issues of stigma around the receipt of FSM still exist, as do issues around the quality of these meals. As well as extending FSM eligibility to working families, action also needs to be taken to address these issues.

Policy recommendations

1) The government should extend FSM entitlement to school children in families in receipt of Universal Credit.

There are two key reasons why the government should extend FSM to school children in families in receipt of the Universal Credit. Firstly, it would mean that almost all children living in poverty would be entitled to FSM, including those in low income working families. Secondly, it would help to promote work incentives and ensure that work 'pays'

for parents with children in receipt of FSM.

2) All local authorities and schools providers should introduce cashless systems in order to de-stigmatise the receipt of FSM.

Currently around half of secondary schools use cashless systems for the payment for school food.³³ Such systems ensure that children in receipt of FSM are not identified as such. However, many secondary schools still use cash payment for school food, with a voucher or token for those in receipt of FSM. In such cases, children in receipt of FSM can be identified, and as a result, these children may be stigmatised.

We recommend that cashless payment systems are implemented in all schools so that children in receipt of FSM are never identified as such.



One of the principle barriers to this is cost.³⁴ The average cost of installing a system is around £16,000³⁵ and the total cost of installing a system in English secondary schools that do not have one would be in the region of £20 million.³⁶ The Department for Education should consider what financial support they could provide to schools without cashless payment systems in place, to enable them to introduce such systems.

3) The government should review the extent to which state maintained schools and academies are adhering to the nutritional standards for school food, and whether pupils in receipt of FSM are receiving enough support to purchase a full and nutritious meal, with a range of choices available within budget.

All school food should satisfy the new statutory requirements for balanced meals and healthier school food. However, currently academies and free schools are exempt from these requirements. The government should continue to promote nutritious and high quality school food by reviewing the extent to which these standards are being adhered to across the country, and ensuring all state funded schools, including academies and free schools, have to adhere to the school food standards. The government should also consider whether Ofsted should return to inspecting school food.

Many of the parents we surveyed raised concerns that the support they received for FSM was insufficient to purchase the meal their secondary school children

needed. The government should review the level of support being provided for FSM in secondary schools and whether it is sufficient to provide a full and nutritious meal, and to provide children receiving FSM with a choice of options.

There should also be more emphasis on asking children and young people their opinion on lunchtimes, school meals and what they would like to eat. This would be an informative and valuable exercise and could improve pupil uptake of FSM and interest in healthy eating. One way of doing this was demonstrated in Newham where school nutritional action groups gave pupils the opportunity to share their views on school meals with school governors, staff and catering representatives.³⁷

Appendix 1: Extending free school meals to all children in families in receipt of Universal Credit

Our estimates suggest that the cost of extending FSM for all children in families in receipt of Universal Credit in the UK would be around £500 million per year. However, if necessary, the cost to government could be significantly reduced through partial payment by working parents through reductions in their Universal Credit 'income disregard'.

How would a part-funded option work?

Income disregards in the Universal Credit are the amount the family can earn before their Universal Credit entitlement begins to be reduced. After this point, for each additional £1 which is earned (net), 65p is withdrawn from Universal Credit entitlement.

So a lone parent with one child would receive a minimum income disregard under Universal Credit of around £53 per week. In order to pay for the extension of FSM to working families, part payment for this additional entitlement could come from reducing the income disregards within their Universal Credit entitlement.

A reduction in the family's income disregard would mean that as they move into work, the amount of Universal Credit they receive will begin to be reduced on the basis of earnings at a slightly lower earnings point. However, under our policy proposals these families will continue to receive FSM as they move into work.

The cost calculations in Appendix 2 indicate that a reduction in the level of the income disregard of £5 for each child in the household could pay for nearly half of the cost of extending FSM to working families – this would reduce the cost to government to around £290 million. Under this option every contributing family would still receive a greater value through school meals received for their children than they would lose in cash through a reduced income disregard.

For a lone parent with two children, their minimum earnings disregard³⁸ under Universal Credit will be around £58 per week.³⁹ Under these proposals this would be reduced to £48 per week where they receive FSM for the two children.

How could this work in practice?

- A family makes a claim for Universal Credit at the point their first child is born. They are found to be eligible and their claim begins.
- At the point the child starts primary school, they become entitled to FSM. They tell the school that they would like to take up their entitlement. Having made their application for FSM, they are told that they need to inform the DWP of this.
- The family notify the DWP that they have one child receiving FSM.
- The child starts receiving FSM.
- The DWP adjusts the household Universal Credit entitlement accordingly.
- When the child stops receiving FSM, the parents notify the DWP of this, and Universal Credit entitlement is adjusted again to reflect their entitlement to a higher income disregard.

How much would these policy options cost?

Bringing all children in families entitled to receive Universal Credit into entitlement for FSM would mean that 3.8 million children⁴⁰ could be entitled to receive FSM. Based on current take up rates of school meals, and projected take up rates of Universal Credit,⁴¹ it is estimated that around 2.3 million children would take up this entitlement.

This would mean that an additional 1 to 1.5 million children (1.3 million central estimate – depending on effect of behavioural response on FSM take-up rates), would receive FSM. Based on the current average price of £367 per child, each year, (and production cost of £437⁴²), FSM entitlement could be extended to all children in families in receipt of Universal Credit for between £404m and £625m per year (depending upon behavioural responses impacting on take-up rates), with a central estimate of £502m per year.

This cost can be fully covered by government, or as explained in this appendix, part funded by in-work families whose children would gain entitlement to FSM. The amount it would cost government to give FSM to these children would vary depending on the amount that the income disregard was reduced. The cost to government could be reduced to between £231m and £367m (depending upon response in take-up rates), central estimate of £291m, were a reduction in household income disregards of around £5 applied for each child receiving FSM in the household.

It is worth noting that the cost to government would be slightly higher if the reduction in the income disregard was applied to the first three children only to reflect that households get no additional income disregard within Universal Credit after their third child.

Full policy cost tables are included in Appendix 2.

Why work incentives would improve for parents with school aged children.

Extending FSM to all Universal Credit recipients offers substantially improved work incentives. This is for three main reasons:

1) The earnings point at which FSM are lost reflects household circumstances and is high up the income distribution.

There would still be a point at which entitlement to FSM is lost, however, the earnings point at which this threshold is reached would be considerably higher than those available under current financial constraints. This approach would also reflect different household circumstances (and in particular numbers of children in the household) since the larger the family the higher the earnings point at which Universal Credit entitlement is lost.

2) In-work parents will experience an increase in their disposable incomes.

Parents who are already in work, or move into work, will experience an increase in their disposable incomes, regardless of whether the extension of FSM to all families in receipt of Universal Credit

is fully funded by government or part funded by in-work families. We estimate that, in cash terms, families would be better off by between £198 and £367 per child receiving FSM per year⁴³ depending upon whether families part fund or government funds all of the additional cost respectively.

Even based on conservative estimates (where all working parents with children now benefiting from receipt of FSM were previously providing a low cost packed lunch every day for their children) families, in cash terms, would be better off by between £78 and £247 per child receiving FSM per year.⁴⁴

3) The increases in income required to overcome the cliff edge are substantially reduced.

This is because families no longer entitled to FSM because their earnings are too high, keep a higher proportion of any additional earnings than those who are still in receipt of Universal Credit. Basic rate tax payers in receipt of Universal Credit will keep as little as 24p for each additional pound they earn; for those whose earnings are too high to receive Universal Credit, they will typically keep 68p for each pound they earn.

As a result the significance of the benefit ‘cliff edge’ is greatly reduced, since the household will need to earn considerably less to overcome the effective cut in household income caused by the loss of FSM.

Appendix 2: Extending free school meals to all children in families in receipt of Universal Credit – policy costings

Proposed policy options: costs to Government and in-work families (£ million)

Annual estimates additional to Spending Review							
	In-work families contributions	Additional Government contribution	Total additional annual cost	No. additional children receiving FSM	In-work families contribution per child per week (£)	Required Universal Credit income disregard reduction per child (£)	Proportion Government additional
In-work families part-fund through £5 income disregard reduction							
Decreased take-up	173.2	230.8	404.0	1,025,000	3.25	5.00	57%
Constant take-up	211.3	291.1	502.4	1,250,000	3.25	5.00	58%
Increased take-up	258.8	366.5	625.3	1,531,250	3.25	5.00	59%
Government funds full additional cost							
Decreased take-up	0.0	404.0	404.0	1,025,000	0.00	0.00	100%
Constant take-up	0.0	502.4	502.4	1,250,000	0.00	0.00	100%
Increased take-up	0.0	625.3	625.3	1,531,250	0.00	0.00	100%

Proposed policy options: range of costs to Government (£ million)

	Lower bound	Central	Upper bound
In-work families part-fund additional cost	230.8	291.1	366.5
Government funds full additional cost	404.0	502.4	625.3

Key assumptions

Variable	Assumptions
Number of children currently receiving FSM	<ul style="list-style-type: none"> We estimate that 1 million children are currently receiving FSM (See Chapter 3).
Number of eligible children under policy proposal	<ul style="list-style-type: none"> There are 7.5 million children of school age in state maintained schools in England⁴⁵. We also know that 50% of all UK children are estimated to be in households eligible to receive Universal Credit.⁴⁶ Therefore we assume that 3.75 million English school children will be eligible for Universal Credit under our policy proposal. We assume a 90% Universal Credit take up rate (see below) therefore we assume that 3.38 million children will be in families eligible for FSM.
Average cost of school meals	<ul style="list-style-type: none"> Latest annual survey of take-up of school meals⁴⁷ estimated that the average annual cost of school meals across all schools was around £367 per child in 2010/11. Increasing take-up could allow for providers to take advantage of economies of scale resulting in a reduced average cost per school meal produced. An evaluation of the FSM extension in Scotland⁴⁸ found mixed effects of the extension on average costs. We therefore assume there is negligible impact of economies of scale on average meal costs, although this may be a conservative estimate if providers can reduce costs in response to a significant increase in demand.

Variable	Assumptions
FSM take-up rates	<ul style="list-style-type: none"> We have calculated that the current rate of take-up of FSM by those eligible for them is two-thirds (see Chapter 3).
	<ul style="list-style-type: none"> There is a lack of robust evidence on the potential behavioural response, of either the families whose children are already eligible for FSM or the families who become eligible for FSM, to an increase in number of children eligible for FSM. We have therefore provided a range of potential take-up rates once eligibility is extended. A decreased take-up rate is estimated at 60% and an increased take-up rate is estimated at 75%.
Universal Credit take-up rates	<ul style="list-style-type: none"> The take up rate for Child Tax Credits is 80%⁴⁹ we use this as an example of take-up of an existing benefit by families. Department for Work and Pensions Universal Credit assumptions are that 100% of existing benefit claimants will take-up Universal Credit and that 50% of those not currently claiming benefits will do so under Universal Credit.⁵⁰ Therefore we assume 90% of families entitled to Universal Credit will take it up – $(100\% \times 80\%) + (50\% \times 20\%) = 90\%$
Savings produced by a reduction in earnings disregards	<ul style="list-style-type: none"> Universal Credit works on the basis that a certain amount of household earnings is 'disregarded' for the purposes of means testing for Universal Credit entitlement. The calculations above assume that a £5 per week reduction in the disregard will reduce Universal Credit entitlement for working households by around £3.25 per week – meaning that working households effectively contribute £3.25 per week, or £4.45 per FSM week (38 school weeks in the school year) per child, towards each week of FSM they receive. This is on the basis of a withdrawal rate of 65% for Universal Credit; each £1 of earnings disregarded is worth 65p to households who are receiving Universal Credit and who have earnings above the level of the earnings disregard. There will be some working households on the margins that will not be able to make the full level of contribution to their FSM entitlement. This is either where (1) earnings are below the current level of earnings disregard, so they will not see the full impact of a reduction in the disregard level, or (2) Universal Credit entitlement is so low that the full level of contribution cannot be deducted before entitlement reaches £0. We have not included these circumstances into the cost model, as there is likely to be a small number of households in these circumstances.
Payment for out-of-work households	<ul style="list-style-type: none"> Current FSM policy provides meals to out-of-work households. We assume that the Government continues to fund 100% of the cost of school meals for those families who are out-of-work.
Additional cost of higher overall school meal take up	<ul style="list-style-type: none"> The price of school meals are typically subsidised, so that the price to parents at the point of delivery, is lower than the cost of production. School Food Trust survey data puts the average cost of production of a school meal at £437 per year,⁵¹ this is £70 per year higher than the average price of the meal (£367). FSMs have higher take up rates than paid for school meals – as a result costing the extension of FSM should take into account the likelihood of increased overall take up of school meals, and the additional cost-over-price of these additional meals. Extension of entitlement to free school meals to all children in families in receipt of Universal Credit, is estimated to mean that 1.9 million more children are entitled to receive FSM (3.4m compared to 1.5m at present). Based on an average take up rate of 33% for children not registered for FSM⁵² we may estimate that around 630,000 of these children are already receiving school meals. The take up rate for FSM is substantially higher than school meals (around 67% of children in families entitled to receive free school meals take them up each day). It is therefore estimated that at a constant take up rate, of the 1.9 million children entitled around 1.3 million children will take them up. Therefore, an estimated additional 620,000 children (1.3 million additional FSM take up, minus 630,000 already taking up paid for lunches who we assume will all take up the free lunch option) will receive school meals. The cost-over-price of extending FSM to these children is estimated at £70 per year per child, or a total of £44 million per year. <p>(If the FSM take-up rate dropped to 60% following extension, the additional cost-over-price of higher overall school meal take up would be in the region of £28 million, if take-up increased to 75%, the additional cost-over-price would be around £63 million.)</p>

Endnotes

1. See for example: Berlot, M., James, J. (2009) *Healthy School Meals and Educational Outcomes* Institute for Economic and Social Research Working Paper; School Meals Review Panel (2005) *Turning the tables: transforming school food*
2. School Food Trust (2007) *School lunch and behaviour: systematic observation of classroom behaviour following a school dining room intervention*; School Food Trust (2009) *School lunch and learning behaviour in primary schools: an intervention study*; School Food Trust (2009) *School lunch and learning behaviour in secondary schools: an intervention study*
3. Children are said to be living in poverty if they are in a household living on less than 60% of median household income after the deduction of housing costs.
4. In England, children are entitled to receive FSM if their families receive: Income Support, income based Job Seeker's Allowance, or income related Employment and Support Allowance, the Guarantee credit of Pension Credit, or Child Tax Credit (CTC) and have annual income of £16,190 or less. However, this does not apply if the family is receiving working tax credit (WTC) unless this is during the four week 'WTC run on' period.
5. www.islington.gov.uk/education/studentsupport/free_school_meals.asp
6. 29% of children live in a household on less than 60% of median household income (after housing costs) (DWP (2011) 'Households Below Average Income: An analysis of the income distribution 1994/95 - 2009/10' London: DWP) This equates to around 2.2 million children in state schools in England.
7. Assuming all children in receipt of FSM are in poverty. The number is likely to be somewhat higher since some children in households entitled to FSM will not be in poverty.
8. Department for Education (2011) *'Schools, pupils and their characteristics January 2011'* London: DfE
9. HMRC statistics show that in December 2011, 2.669 million children were in families either receiving child tax credit only, (or the child premium on income support) and this support was not tapered (i.e. had income of under £15,860). www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-dec2011.pdf Based on 13 million children in the UK, this equates to around 20.5% of all children.
10. Department for Education (2011) *'Schools, pupils and their characteristics January 2011'* Table 3a: www.education.gov.uk/rsgateway/DB/SFR/s001012/sfr12-2011.pdf note that registrations for FSM have increased substantially in recent years, they may have increased since January 2011.
11. England only.
12. Assumes equal distribution of pupils in primary and secondary school - in fact around 55% of all children are in primary and 45% in secondary school.
13. DWP (2011) *'Households Below Average Income: An analysis of the income distribution 1994/95 - 2009/10'* London: DWP
14. Michael Nelson, Jo Nicholas, Lesley Wood, Ellen Lever, Laura Simpson and Beverley Baker (2011) *'Sixth annual survey of take up of school lunches in England'* School Food Trust/LACA
15. www.direct.gov.uk/en/NI1/Newsroom/DG_200057
16. For example, eligibility criteria for Leeds school clothing allowance: www.leeds.gov.uk/Advice_and_benefits/Benefits/Free_school_meals.aspx
17. For example Bracknell Forest 'junior leisure saver scheme' www.bracknell-forest.gov.uk/leisure-saver-scheme-application-form-for-juniors.pdf
18. Pamela Storey and Rosemary Chamberlain (2001) *Improving the Take Up of FSM*, Thomas Coram Research Unit, Institute of Education
19. Bradshaw (2002) *The well-being of children in the UK* Save the Children, London
20. 4% of children aged 2-10 obese and one-third (33.6 per cent) of Year six children overweight or obese www.dh.gov.uk/en/Publichealth/Obesity/DH_078098
21. BBC News (2010) *Healthy Lunch Boxes a Rarity*. Available: <http://news.bbc.co.uk/1/hi/health/8451828.stm> (Accessed 19 Mar, 2012)
22. School Meals Review Panel (2005) *Turning the tables: transforming school food*. Sheffield: School Food Trust
23. www.schoolfoodtrust.org.uk/the-standards
24. School Food Trust (2009) *School lunch and learning behaviour in primary schools: an intervention study*. Sheffield: School Food Trust; School Food Trust (2009) *School lunch and learning behaviour in secondary schools: an intervention study*. Sheffield: School Food Trust
25. www.dh.gov.uk/en/Publichealth/Obesity/index.htm
26. Nelson, M., Erens, B., Bates, B., Church, S., Boshier, T. (2007) *Low Income Diet and Nutrition Survey* London: Food Standards Agency
27. At pg 150, Flaherty, Veit-Wilson, Dornan (2004) *Poverty: the facts*, 5th edition. Child Poverty Action Group, London
28. Belot and James (2011) *Healthy school meals and Educational Outcomes*, Journal of Health Economics 30(3), 489-504
29. Existing claimants will be transferred onto the Universal Credit between 2013 and 2017.
30. DWP (2010) *'Universal Credit: Welfare that works'* London: DWP (p48)
31. Based on out of work benefit levels for Feb 2012.
32. £1100 annual value for three children is worth £21 per week when divided equally across the course of the year.

33. Amongst schools where it is known whether a cashless system is in operation or not, 63% of non-LA catered and 59% of LA catered secondary schools had a cashless system in operation: Michael Nelson, Jo Nicholas, Katy Riley, Lesley Wood, and Sandra Russell (2011) *'Sixth annual survey of take up of school lunches in England'* School Food Trust.
34. School Food Trust (2009) *'An independent review of cashless catering systems'*
35. School Food Trust (2009) *'An independent review of cashless catering systems'* p8. Average cost of introducing a cashless catering system based on figures on page 8 giving average costs across 39 schools of £15,900 per school.
36. £15,900 per school for the 3310 state funded secondary schools in England (number of schools based on DfE (2011) *'Schools, pupils and their characteristics January 2011'* London:DfE table 2a) would be £53 million. Based on 60% of secondary schools already having cashless systems in operation (see footnote 36 above) the cost of extending systems to the remaining 40% would be £21 million. www.schoolfoodtrust.org.uk/partners/resources/an-independent-review-of-cashless-catering-systems
37. CPAG: School Meals Fact Sheet (2005)
38. Earnings disregards may be higher than this dependent on housing costs.
39. DWP (2011) *'Universal Credit policy briefing note 14: Earnings disregards and tapers'* London: DWP
40. 50% of children are estimated to be in households entitled to Universal Credit. www.theyworkforyou.com/wrans/?id=2012-01-16b.89324.h&s=universal+credit+timms+section%3Awrans+section%3Awms#g89324.q0
This is equivalent to around 3.8 million children in state maintained schools.
41. Based on a 90% UC take up rate, there would be around 3.4 million children in families in receipt of Universal Credit. Based on two thirds of eligible households taking up FSM, there would be around 2.3 million taking up their FSM entitlement.
42. The cost-over-price is used to calculate the additional cost of extending FSM resulting from higher levels of overall take-up of school meals. See the assumptions table in Appendix 2 for further explanation.
43. Working households assumed to contribute £3.25 per child per week to their FSM entitlement, or £169 per year.
44. Conservative estimates assume families previously provided lowest-cost packed lunch at value of £6.50 per child per FSM week (low-cost packed lunch estimate published by School Food Trust www.schoolfoodtrust.org.uk/schools/projects/packed-lunches/packed-lunch-ideas), therefore replacing £367 assumed gain in central estimates with a £247 assumed gain.
45. Department for Education (2011) *'Schools, pupils and their characteristics January 2011'* London: DfE
46. www.theyworkforyou.com/wrans/?id=2012-01-16b.89324.h&s=timms+universal+credit+section%3Awrans+section%3Awms#g89324.q0
47. School Food Trust (2011) *Sixth annual survey of take-up of school meals in England*
48. Ipsos Mori (2008) *Scottish Government evaluation of the FSM Trial for P1 to P3 Pupils*
49. www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up-09-10.pdf
50. www.theyworkforyou.com/wrans/?id=2011-11-21a.81076.h&s=children+%22universal+Credit%22+section%3Awrans+section%3Awms#g81076.q0
51. Average production cost per meal of £2.23 primary and £2.36 secondary, (an average of £2.30). This gives a cost of £11.50 per week, or £437 for the school year.
52. Average of 34% primary and 32% secondary. (Michael Nelson, Jo Nicholas, Lesley Wood, Ellen Lever, Laura Simpson and Beverley Baker (2011) *'Sixth annual survey of take up of school lunches in England'* School Food Trust/LACA, p20)

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