

Distribution Sub-Group (2019) Paper 19 – Options paper to remove or reduce the impact of universal credit on the eligible for free school meals distribution indicator

This discussion paper has been written by officials of the Welsh Government. Ministers have not had an opportunity to comment on the contents. Exemplifications of changes are provided simply to inform discussion by DSG members. They are not Welsh Government proposals or statements of Government policy for or against changes.

Options paper to remove or reduce the impact of universal credit on the eligible for free school meals distribution indicator

Summary

1. This paper provides options on how to treat the eligible for free school meals data indicator in the settlement for 2020-21.
2. This paper follows on from DSG 2019 (paper - 16), which demonstrated that the staggered roll out of universal credit seems to be having a distributional effect on the indicator.

Views sought

3. DSG are asked to agree a preferred option on the treatment of the data source for the 2020-21 settlement and possibly future settlements.

Related papers

4. Distribution Sub Group (2019) Paper 16 - The impact of universal credit on the 2019 PLASC FSM data

Distribution Sub-Group (2018) Paper 23 – Assessing the impact of universal credit on the PLASC FSM data

Distribution Sub Group (2018) - Paper 19 - 2018 PLASC data

Distribution Sub Group (2018) - Paper 11 - Free School Meals indicator analysis

[Distribution Sub Group \(2018\) - Paper 04 - Free School Meals volatility](#)

Background

5. The Settlement indicators relating to pupil numbers are updated on an annual basis using the latest Pupil Level Annual School Census. The data is a snapshot at January of the academic year and is subject to a rigorous validation exercise undertaken by statistical colleagues and the Local Government Finance team within the Welsh Government.
6. The PLASC is the most accurate and robust source of data for pupil numbers and using this as a proxy for need to spend on education services ensures that the Settlement remains reactive to real movements in the number of pupils requiring education.

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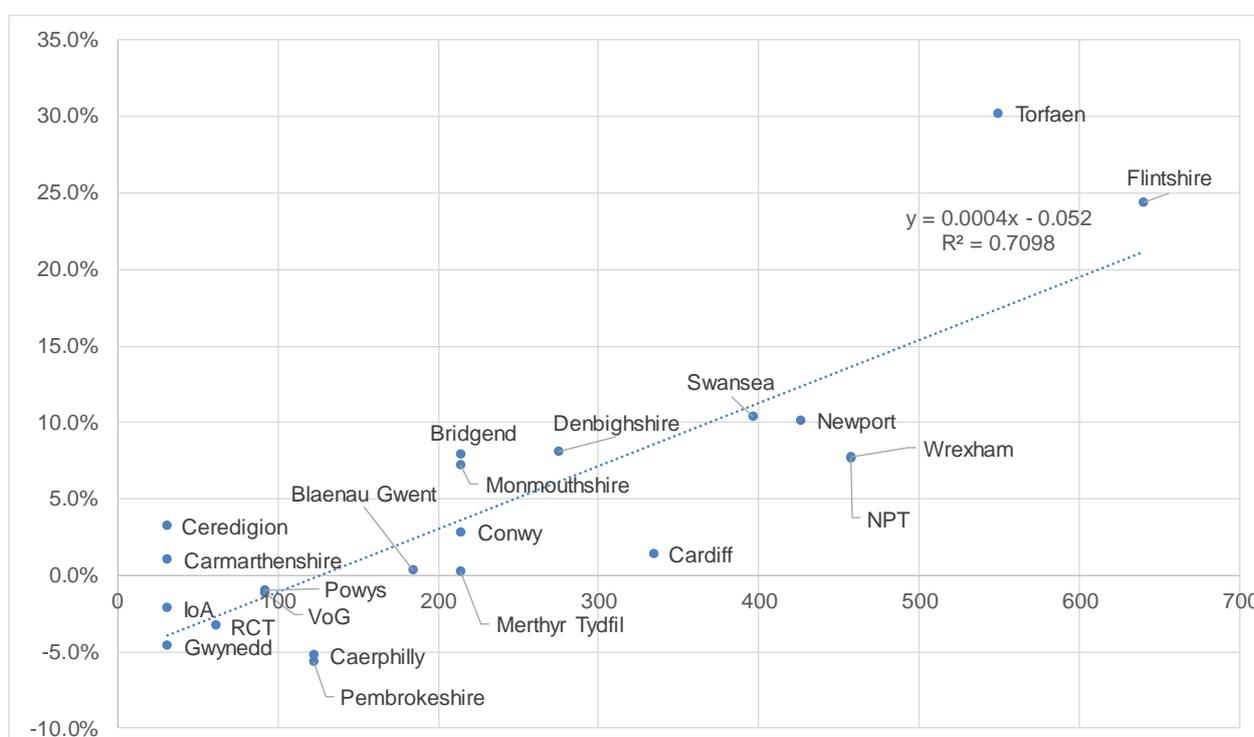
7. Eligibility for Free School Meals is used as a deprivation proxy for the additional need to spend on teaching and other services, but is not used as a deprivation proxy for the need to spend on school meals.
8. The eligibility criteria for FSMs in Wales, during the January 2019 data collection, were parents of pupils who are still at school and receive one of the following:
 - Income Support
 - income-based Jobseeker's Allowance
 - income-related Employment and Support Allowance
 - support under Part VI of the Immigration and Asylum Act 1999
 - the guaranteed element of Pension Credit
 - Child Tax Credit (provided you're not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190)
 - Working Tax Credit run-on - paid for 4 weeks after you stop qualifying for Working Tax Credit
 - Universal Credit (temporary measure)
9. DSG (2017) Paper 08 highlighted that in the 2017 PLASC data, overall eligibility for FSM decreased and universal credit was seen to have little impact on – the then only fully rolled out authority - Flintshire.
10. The group expressed concerns over the 2018 data (DSG (2018) Paper 19), questioning whether the increases in the Flintshire and Torfaen authorities could be attributed to those on universal credit having blanket eligibility for FSM.
11. Similarly, DSG (2018) Paper 23 highlighted that in the 2018 PLASC data, overall eligibility for FSM decreased, at a Wales level, but universal credit was seen to have some impact between authorities in particular two of the six authorities (Flintshire and Torfaen) that were rolled out onto universal credit. Due to the low number of authorities that were on universal credit, the analysis was deemed inconclusive.
12. DSG (2019) Paper 16 investigated the 2019 PLASC data and found a high correlation between the change in free school meals figures and the length of time an authority had been rolled out onto universal credit (see chart 1 below). This suggests that universal credit is having a distributional impact on the data.
13. This paper aims to provide the DSG a series of options of how to remove or reduce the current distributional issues going forward.

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Analysis

14. The analysis below shows the information presented in DSG (2019) paper 16 to remind the group of the impact that universal credit seems to be having on the indicator.
15. Chart 1 looks at the change in the latest eFSM data for 2018/19 compared to 2016/17 and the number of days since universal credit full service was rolled out in the authority.
16. As shown in chart 1 the relationship between both variables apparent, with $R^2 = 74.96\%$. This chart suggests there is a relationship with those authorities that have had universal credit full service for longer and larger increases in the eFSM indicator.

Chart 1: The relationship between the number of days since an authority rollout of UC full service in Wales and the change in eFSM numbers 2018/19 vs 2016/17



17. The chart shows 4 clusters:

Cluster one - The first two authorities that had full universal credit service which had been on the full service for more than 500 days (Torfaen and Flintshire). This cluster sees a high percentage increase in pupil eFSM.

Cluster two – The next four authorities that rolled onto Universal credit between 395 days and 500 (Swansea, Newport, NPT and Wrexham). These reflect a notable increase in the percentage of eFSM.

Cluster three – The authorities that have been on the service between 200 and 395 days. All of these authorities see some level of percentage increase in eFSM.

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Cluster four - These authorities have had the full service for less than 200 days. In these authorities there are varied changes. Due to the short length of time on the full service, authorities were probably unlikely to have been able to process claims or individuals may not have been fully aware that receiving universal credit meant that their children were eligible for free school meals.

18. This demonstrates that the length an authority has been on universal credit has had some impact on the distribution of the eFSM data.

Options

19. This section outlines some of the options available to DSG and Welsh Government to ensure that the distribution of funding is not distorted by the gradual rollout of universal credit.

Option1 – Freeze the data

20. This option would mean that the 2020-21 settlement would use the eFSM figures as used in the 2019-20 settlement (a 3 year average to the 2018 PLASC data).
21. As the same data would be used there would be no financial impact of freezing the data.
22. The longer the data is frozen the more likely the distribution of the data is going to be different once the data is unfrozen, which could result in a large financial shift in the funding once the indicator is picked back up.
23. Also, now that it is apparent that there is a relationship between the date of rollout of UC and the increase in eFSM, using data from the 2018 PLASC will show an increase for both Torfaen and Flintshire, as a result of the staggered rollout of UC.

Option 2 – update the data

24. Since the 2019-20 local government settlement a three year average of the eFSM data has been used to reduce the volatility in the data.
25. Table 1, highlights the financial impact of changing this data to the most up-to-date three year average compared with that used in the 2019-20 settlement.
26. Swansea and Torfaen had the largest financial increase when the latest eFSM 3 year average was used (up £468k and £422k). Caerphilly had the largest financial decrease (down £606k). Whilst Blaenau Gwent saw the largest percentage decrease, down 0.8% (or £368k).

Table 1: Financial impact of updating the eFSM data

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	2019-20 Final settlement	Updated PLASC data	Difference (£s)	
Isle of Anglesey	52,711,605	52,623,683	- 87,922	-0.2%
Gwynedd	91,265,880	91,117,083	- 148,797	-0.2%
Conwy	78,465,029	78,509,727	44,699	0.1%
Denbighshire	76,847,614	76,913,724	66,110	0.1%
Flintshire	113,500,984	113,774,940	273,956	0.2%
Wrexham	96,304,937	96,526,795	221,858	0.2%
Powys	95,795,454	95,811,142	15,688	0.0%
Ceredigion	52,760,442	52,741,802	- 18,641	0.0%
Pembrokeshire	89,664,425	89,631,814	- 32,611	0.0%
Carmarthenshire	139,851,759	139,689,127	- 162,632	-0.1%
Swansea	168,453,428	168,921,652	468,223	0.3%
Neath Port Talbot	105,443,847	105,484,337	40,489	0.0%
Bridgend	104,139,635	104,161,299	21,664	0.0%
The Vale of Glamorgan	98,826,884	98,737,049	- 89,835	-0.1%
Rhondda Cynon Taf	185,305,633	185,049,781	- 255,852	-0.1%
Merthyr Tydfil	43,690,583	43,622,843	- 67,740	-0.2%
Caerphilly	139,798,283	139,192,052	- 606,231	-0.4%
Blaenau Gwent	47,757,850	47,389,929	- 367,921	-0.8%
Torfaen	70,644,549	71,066,053	421,504	0.6%
Monmouthshire	59,644,047	59,640,944	- 3,103	0.0%
Newport	116,404,121	116,585,160	181,039	0.2%
Cardiff	246,319,826	246,405,881	86,055	0.0%
Wales	2,273,596,818	2,273,596,818		

Option 3 – Reverse out the impact for the 2019 PLASC data

27. This option uses the regression line shown in chart 1, to either bring the number of universal credit days to the maximum or minimum case i.e. to Flintshire's level or Ceredigion's level.
28. Case 1 would look at the difference between the numbers of days the local authority has been on universal credit to the maximum authority, in this case Flintshire. For example the maximum number of days are 640 in Flintshire minus all the authorities in question i.e. Caerphilly 122 days would mean projecting Caerphilly forward by 518 days.
29. As, in cluster 4, sufficient time has not passed to see any particular correlation in the figures, a regression line has been calculated on clusters 1-3 and this used to scale the authorities up or down the line.
30. Case 2 would follow the same process, but would a regression line from cluster 4 to bring all authorities down to the lowest number of days (31).

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Table 2: Demonstrates the change in the LA percentage shares when the number of universal credit days are scaled to either the maximum or minimum universal credit days.

	2017 PLASC share (1)	2019 PLASC share (2)	2017 share (everyone up to Max UC days) (3)	2019 share (everyone down to Min UC days) (4)	Difference (3)-(2)	Difference (4)-(2)
Flintshire	3.9%	4.7%	3.5%	3.9%	-1.2%	-0.8%
Torfaen	3.2%	4.0%	3.0%	3.3%	-0.9%	0.2%
Neath Port Talbot	5.7%	5.9%	5.2%	5.5%	-0.7%	-0.2%
Wrexham	4.1%	4.2%	3.9%	3.8%	-0.3%	-0.3%
Newport	5.7%	6.0%	5.2%	5.6%	-0.7%	0.0%
Swansea	8.5%	9.0%	7.6%	8.7%	-1.4%	0.2%
Cardiff	13.7%	13.4%	11.9%	13.2%	-1.4%	-0.5%
Denbighshire	3.3%	3.5%	3.6%	3.4%	0.1%	0.0%
Bridgend	4.7%	4.9%	4.9%	5.0%	-0.1%	0.2%
Conwy	3.1%	3.1%	3.5%	3.1%	0.4%	0.0%
Merthyr Tydfil	2.2%	2.2%	2.8%	2.2%	0.7%	-0.1%
Monmouthshire	1.5%	1.5%	2.2%	1.6%	0.7%	0.1%
Blaenau Gwent	2.6%	2.5%	3.2%	2.6%	0.7%	0.0%
Caerphilly	7.3%	6.6%	7.1%	6.9%	0.4%	-0.4%
Pembrokeshire	3.6%	3.2%	4.0%	3.5%	0.8%	-0.1%
Gwynedd	2.6%	2.4%	3.4%	2.8%	1.0%	0.2%
Powys	2.4%	2.3%	3.1%	2.5%	0.9%	0.2%
the Vale of Glamorgan	3.3%	3.2%	3.9%	3.4%	0.7%	0.1%
Rhondda,Cynon,Taff	9.8%	9.1%	9.2%	9.5%	0.1%	-0.3%
Isle of Anglesey	1.9%	1.8%	2.8%	2.2%	1.1%	0.3%
Carmarthenshire	5.4%	5.3%	5.7%	5.7%	0.4%	0.3%
Ceredigion	1.3%	1.3%	2.4%	1.7%	1.1%	0.4%
	100.0%	100.0%	100.0%	100.0%		

31. If DSG would like to consider the financial implications of this method then we can provide the figures based on primary and secondary splits.
32. The pros of this method are that the data source would be kept relatively complete.
33. The negatives of this methods are that it adds further complexity to the model, even though the group have previously expressed their desire to simplify the model.

Conclusion

34. The options in this paper should allow the DSG to make an informed decision of this indicator going forward.
35. Universal credit has been affecting the distribution of other underlying settlement data for 2020-21, such as the Dependent children (DSG (2019) - Paper 17) and the housing benefits indicators (DSG (2019) – Paper 20).
36. Given the group have also been given options on these other datasets, which similarly attempt to reduce or remove the distributional effects that universal credit has had on the data, it would be beneficial in considering a consistent approach across all three indicators.

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37. The different indicators outlined have a varying financial impact, but it's important that DSG consider the consistency across indicators in making these decisions.
38. The group are asked to consider these three papers together and whether each indicator requires a different option applied to them or if similar approaches can be used across the suite of indicators.
39. DSG members are asked to consider the options included in this paper and how they would like to treat the eFSM indicator for the 2020-21 settlement
40. DSG are all asked to consider the cross funding implications of this, with eFSM used to distribute funding for other grants (i.e. PDG), and if they would condone a similar process used across the different funding streams that use these particular indicators.

**Local Government Finance and Workforce Partnerships
Welsh Government**