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

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.

Assessing the impact of universal credit on the PLASC FSM data

Summary

1. This paper is a response to undertake further analysis to determine if the staggered roll out of universal credit has caused a distributional change in free school meals eligibility data.

2. This paper looks at other potential distribution options rather than the standalone 2018 PLASC eligible for free school meals data (eFSM).

Views sought

3. DSG are asked to agree the treatment of the data source for the 2019-20 and potentially future settlements.

Related papers

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

Distribution Sub-Group (2017) - Paper 08 - 2017 PLASC data

Distribution Sub-Group (2016) - Paper 16 - Impact of the 2016 PLASC data

Distribution Sub Group (2015) - Paper 21 - PLASC data collection and validation process alias

Distribution Sub-Group (2015) - Paper 18 - Updating the settlement with 2015 PLASC data

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

Background

4. 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.

5. 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.

6. Eligibility for Free School Meals provides a proxy for the additional need to spend on education services arising from deprived populations.

7. The current eligibility criteria for FSMs in Wales are 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)

8. A DSG paper (paper 08 - 2017) highlighted that in the 2017 data, overall eligibility for FSM decreased and universal credit was seen to have little impact on - the then only fully rolled out authority - Flintshire.

9. At the May 2018 meeting of the DSG, the group agreed to use three-year averages of the free school meals data in the settlement calculations for the 2018-19 settlement and future settlements to account for volatility in the data.

10. The group expressed concerns over the latest 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.

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

Analysis

11. Currently there is no way to differentiate the number of children that are eligible for FSM due to their parents receiving universal credit. This paper aims to bring together potential data sources to understand whether universal credit can be attributed to the increase in the FSM figures in certain LAs and provide alternatives to the current method used.

12. Table 1 demonstrates the number of children eligible for FSM from 2016 to 2018. At the July 2018 DSG, the group were concerned over the increase in the FSM figures for both Flintshire and Torfaen (up 257 and 237, respectively).

Table 1: Number of children eligible for free school meals, by year

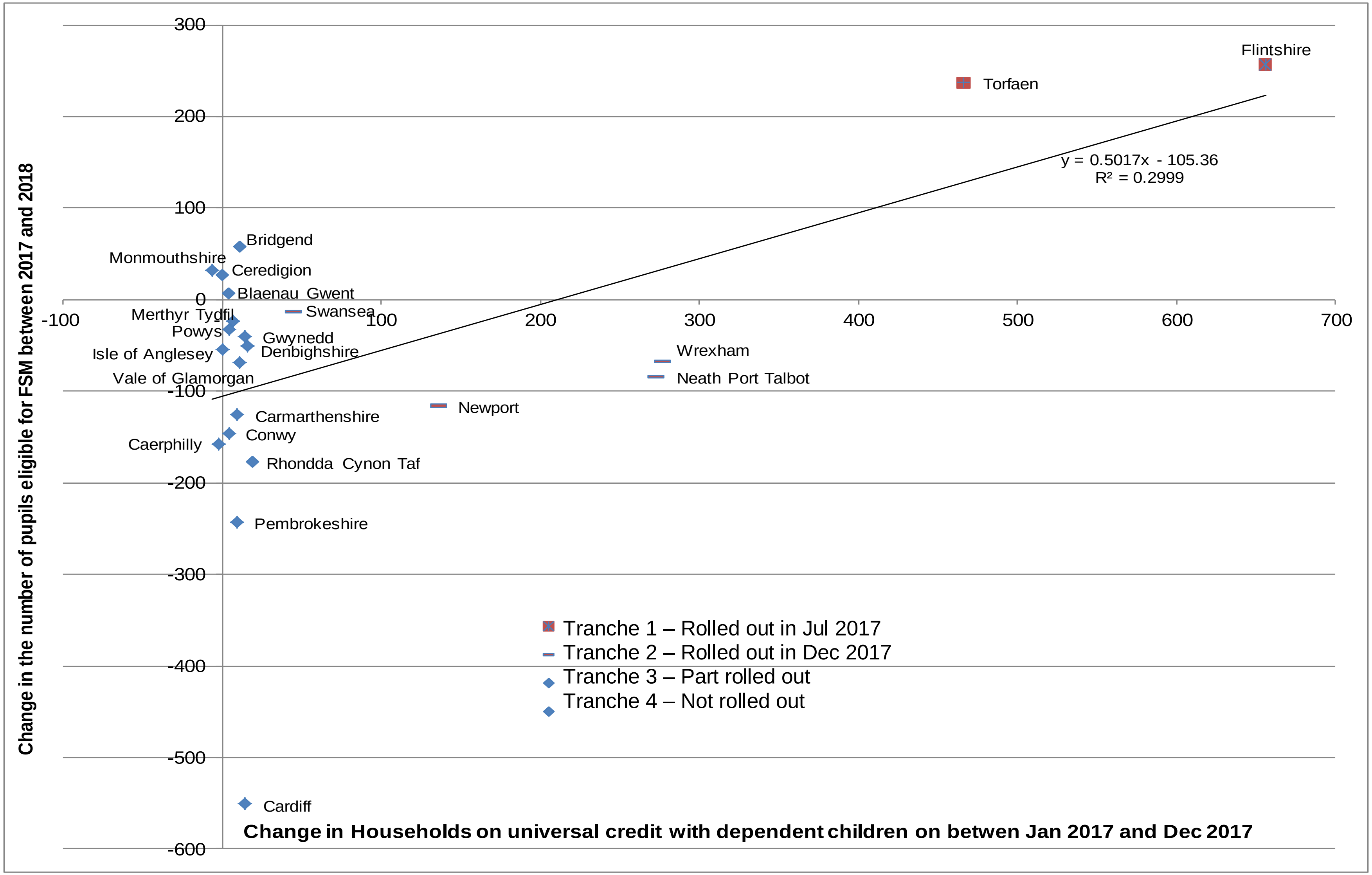
LA	2016	2017	2018
Isle of Anglesey	1,393	1,344	1,290
Gwynedd	1,939	1,866	1,826
Conwy	2,166	2,225	2,079
Denbighshire	2,477	2,374	2,324
Flintshire	3,009	2,782	3,039
Wrexham	2,778	2,892	2,825
Powys	1,624	1,697	1,664
Ceredigion	963	924	951
Pembrokeshire	2,387	2,535	2,292
Carmarthenshire	4,058	3,857	3,731
Swansea	5,947	6,048	6,035
Neath Port Talbot	4,213	4,062	3,978
Bridgend	3,539	3,369	3,427
Vale of Glamorgan	2,407	2,365	2,297
Rhondda Cynon Taf	6,971	6,961	6,784
Merthyr Tydfil	1,672	1,597	1,574
Caerphilly	5,564	5,167	5,009
Blaenau Gwent	2,262	1,852	1,859
Torfaen	2,360	2,249	2,486
Monmouthshire	1,136	1,058	1,090
Newport	4,101	4,013	3,897
Cardiff	9,743	9,743	9,192

13. If we compare the 2018 PLASC figures to the 2016 figures we notice a smaller increase for Flintshire, up by 30. This suggests that the FSM figures could have dipped slightly in 2017 and have levelled back in 2018.

14. We can also compare authorities with households on universal credit with dependent children to the PLASC data to assess if there are any relationships between the two.

15. Analysing the individual data for universal credit and PLASC would show little change due to the different levels of children on free school meals between authorities. Figure 1 investigates the change in the households on universal credit numbers with dependent children and the PLASC figures. The tranches relate to whether the authority was rolled out, by the PLASC data collection.

Figure 1: Change in households with dependent children on universal credit and change in in the number of pupils eligible for FSM



16. Figure 1 shows an R^2 of 29.99, demonstrating a relationship between the change in the number of households with dependent children on universal credit and the change in pupils eligible for free school meals. The chart highlights three distinct clusters.

17. The first cluster is for tranche 1 areas, which were the first areas in Wales to be fully rolled out onto universal credit (Torfaen and Flintshire). These show the highest increases in both the Universal credit households with dependent children and pupils eligible for free school meals. Universal credit has been fully operational in these authorities, since July 2017.

18. The second cluster is three of the four areas that were part of the tranche 2 universal credit rollout (Wrexham, Neath Port Talbot, and Newport). These areas illustrate a medium increase in the number of households on universal credit with dependent children, and a decreasing number of pupils eligible for free school meals. As tranche 2 rolled out in December 2017 and the PLASC data was collected in January 2018, there may be a lag in these households with dependent children being picked up in the PLASC data, particularly as a parent or guardian must make a claim to the authority to trigger entitlement.

19. The third cluster are those areas that have not differed much in the number of households on universal credit but have their PLASC figures have varied across the year, particularly Cardiff.

Options

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

Option 1: Freeze the data on the 2017 PLASC free school meals data

21. The 2017 FSM figures do not appear to be influenced by universal credit roll out; hence this option would allow data to be distributed in a consistent manner across all authorities, as a temporary measure.

22. As previously presented (DSG (2018) – Paper 11) the FSM data is very volatile between years, and members previously agreed to use a three year average going forward.

Option 2: Use the 2018 PLASC data

23. As outlined in DSG (2018) paper 19, and illustrated in table 2, using the latest data to distribute the funding would create a large decrease in SSA for both IBAs for Cardiff.

24. Flintshire and Torfaen would benefit the most due to the large increase in pupils eligible for FSM across the year. These data could be influenced by universal credit. Due to the volatility of the data DSG previously agreed to use a three year average.

Table 2: Exemplification to show the impact of updated Free School Meals only on the 2018-19 SSA

Local authority	Nursery & Primary school teaching and other services						Secondary school teaching and other services					
	Based on 2017 PLASC		Based on 2018 PLASC		Difference		Based on 2017 PLASC		Based on 2018 PLASC		Difference	
	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares
Isle of Anglesey	24,584	2.4%	24,510	2.4%	-73	-0.01%	17,721	2.2%	17,713	2.2%	-8	0.00%
Gwynedd	41,611	4.0%	41,539	4.0%	-72	-0.01%	31,350	3.8%	31,418	3.8%	68	0.01%
Conwy	34,712	3.4%	34,522	3.3%	-190	-0.02%	29,037	3.5%	28,965	3.5%	-72	-0.01%
Denbighshire	33,391	3.2%	33,422	3.2%	30	0.00%	29,663	3.6%	29,677	3.6%	14	0.00%
Flintshire	51,961	5.0%	52,417	5.1%	456	0.04%	41,853	5.1%	42,085	5.1%	232	0.03%
Wrexham	47,404	4.6%	47,366	4.6%	-37	0.00%	30,978	3.8%	30,999	3.8%	21	0.00%
Powys	42,516	4.1%	42,500	4.1%	-16	0.00%	33,422	4.1%	33,433	4.1%	11	0.00%
Ceredigion	22,547	2.2%	22,621	2.2%	73	0.01%	18,142	2.2%	18,163	2.2%	21	0.00%
Pembrokeshire	41,956	4.1%	41,633	4.0%	-323	-0.03%	30,851	3.8%	30,726	3.7%	-125	-0.02%
Carmarthenshire	63,741	6.2%	63,646	6.1%	-95	-0.01%	50,991	6.2%	50,968	6.2%	-23	0.00%
Swansea	77,608	7.5%	77,753	7.5%	144	0.01%	62,663	7.6%	62,737	7.6%	74	0.01%
Neath Port Talbot	46,468	4.5%	46,623	4.5%	155	0.01%	40,212	4.9%	39,936	4.9%	-277	-0.03%
Bridgend	47,465	4.6%	47,642	4.6%	177	0.02%	39,046	4.7%	39,157	4.8%	110	0.01%
The Vale of Glamorgan	45,043	4.3%	45,124	4.4%	80	0.01%	36,923	4.5%	36,766	4.5%	-157	-0.02%
Rhondda Cynon Taf	82,633	8.0%	82,510	8.0%	-123	-0.01%	69,588	8.5%	69,624	8.5%	36	0.00%
Merthyr Tydfil	20,056	1.9%	20,085	1.9%	29	0.00%	15,153	1.8%	15,150	1.8%	-3	0.00%
Caerphilly	62,679	6.1%	62,546	6.0%	-133	-0.01%	53,039	6.5%	53,062	6.5%	23	0.00%
Blaenau Gwent	22,441	2.2%	22,498	2.2%	56	0.01%	16,057	2.0%	16,010	1.9%	-47	-0.01%
Torfaen	30,724	3.0%	31,104	3.0%	380	0.04%	27,152	3.3%	27,414	3.3%	262	0.03%
Monmouthshire	27,201	2.6%	27,268	2.6%	67	0.01%	20,152	2.5%	20,233	2.5%	81	0.01%
Newport	52,799	5.1%	52,716	5.1%	-84	-0.01%	42,483	5.2%	42,467	5.2%	-16	0.00%
Cardiff	115,991	11.2%	115,489	11.2%	-502	-0.05%	85,830	10.4%	85,603	10.4%	-227	-0.03%
Wales	**1,035,533**	**100.0%**	**1,035,533**	**100.0%**	**0**	**0.00%**	**822,308**	**100.0%**	**822,308**	**100.0%**	**0**	**0.00%**

Option 3: Freeze the data based on a three year average of the PLASC data (2015, 2016 and 2017)

25. Table 3 demonstrates the financial impact of SSA if the data were to frozen over a 3-year average. Cardiff would have the highest monetary reduction, followed by Swansea. Blaenau Gwent would have the largest monetary increase for both indicators. This would be due to the large decrease in pupil number eligible between 2016 and 2017, being reduced due to the three year average smoothing the data.

Table 3: Exemplification to show the impact of freezing the Free School Meals data only to a three year average (2015, 2016 and 2017) PLASC, on the 2018-19 SSA

Local authority	Nursery & Primary school teaching and other services						Secondary school teaching and other services					
	Based on 2017 PLASC		Based on 2017 pupil numbers and three-year average of FSM (2015, 2016 and 2017)		Difference		Based on 2017 PLASC		Based on 2017 pupil numbers and three-year average of FSM (2015, 2016 and 2017)		Difference	
	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares
Isle of Anglesey	24,584	2.4%	24,588	2.4%	4	0.00%	17,721	2.2%	17,742	2.2%	20	0.00%
Gwynedd	41,611	4.0%	41,614	4.0%	4	0.00%	31,350	3.8%	31,426	3.8%	76	0.01%
Conwy	34,712	3.4%	34,611	3.3%	-101	-0.01%	29,037	3.5%	29,049	3.5%	11	0.00%
Denbighshire	33,391	3.2%	33,425	3.2%	34	0.00%	29,663	3.6%	29,660	3.6%	-4	0.00%
Flintshire	51,961	5.0%	52,122	5.0%	161	0.02%	41,853	5.1%	41,871	5.1%	18	0.00%
Wrexham	47,404	4.6%	47,173	4.6%	-231	-0.02%	30,978	3.8%	30,934	3.8%	-44	-0.01%
Powys	42,516	4.1%	42,394	4.1%	-122	-0.01%	33,422	4.1%	33,382	4.1%	-40	0.00%
Ceredigion	22,547	2.2%	22,609	2.2%	62	0.01%	18,142	2.2%	18,122	2.2%	-20	0.00%
Pembrokeshire	41,956	4.1%	41,784	4.0%	-172	-0.02%	30,851	3.8%	30,684	3.7%	-167	-0.02%
Carmarthenshire	63,741	6.2%	63,725	6.2%	-16	0.00%	50,991	6.2%	51,099	6.2%	108	0.01%
Swansea	77,608	7.5%	77,422	7.5%	-186	-0.02%	62,663	7.6%	62,435	7.6%	-228	-0.03%
Neath Port Talbot	46,468	4.5%	46,544	4.5%	76	0.01%	40,212	4.9%	40,107	4.9%	-105	-0.01%
Bridgend	47,465	4.6%	47,550	4.6%	84	0.01%	39,046	4.7%	39,197	4.8%	151	0.02%
Vale of Glamorgan	45,043	4.3%	45,037	4.3%	-6	0.00%	36,923	4.5%	36,849	4.5%	-74	-0.01%
Rhondda Cynon Taf	82,633	8.0%	82,447	8.0%	-186	-0.02%	69,588	8.5%	69,601	8.5%	13	0.00%
Merthyr Tydfil	20,056	1.9%	20,121	1.9%	65	0.01%	15,153	1.8%	15,186	1.8%	33	0.00%
Caerphilly	62,679	6.1%	62,897	6.1%	217	0.02%	53,039	6.5%	53,287	6.5%	248	0.03%
Blaenau Gwent	22,441	2.2%	22,807	2.2%	366	0.04%	16,057	2.0%	16,312	2.0%	255	0.03%
Torfaen	30,724	3.0%	30,843	3.0%	119	0.01%	27,152	3.3%	27,109	3.3%	-43	-0.01%
Monmouthshire	27,201	2.6%	27,237	2.6%	35	0.00%	20,152	2.5%	20,174	2.5%	23	0.00%
Newport	52,799	5.1%	52,792	5.1%	-8	0.00%	42,483	5.2%	42,565	5.2%	82	0.01%
Cardiff	115,991	11.2%	115,792	11.2%	-200	-0.02%	85,830	10.4%	85,517	10.4%	-313	-0.04%
Wales	**1,035,533**	**100.0%**	**1,035,533**	**100.0%**	**0**	**0.00%**	**822,308**	**100.0%**	**822,308**	**100.0%**	**0**	**0.00%**

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

Option 4: Use the latest three year average of the FSM data (2016, 2017 and 2018)

26. By using the using a three year average of the FSM data including the 2018 data we have a set of smoother changes in the monetary value from using a three year average of up to 2017. Although universal credit may be influencing the 2018 data, by using a three year average this should be reducing the impact of this effect.

Table 4: Exemplification to show the impact of updated Free School Meals to a three year average (2016, 2017 and 2018) only on the 2018-19 SSA

Local authority	Nursery & Primary school teaching and other services						Secondary school teaching and other services					
	Based on 2017 PLASC		Based on 2018 pupil numbers and three-year average of FSM (2016, 2017 and 2018)		Difference		Based on 2017 PLASC		Based on 2018 pupil numbers and three-year average of FSM (2016, 2017 and 2018)		Difference	
	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares
Isle of Anglesey	24,584	2.4%	24,555	2.4%	-29	0.00%	17,721	2.2%	17,737	2.2%	15	0.00%
Gwynedd	41,611	4.0%	41,588	4.0%	-23	0.00%	31,350	3.8%	31,402	3.8%	52	0.01%
Conwy	34,712	3.4%	34,574	3.3%	-138	-0.01%	29,037	3.5%	29,014	3.5%	-23	0.00%
Denbighshire	33,391	3.2%	33,421	3.2%	30	0.00%	29,663	3.6%	29,685	3.6%	22	0.00%
Flintshire	51,961	5.0%	52,210	5.0%	249	0.02%	41,853	5.1%	41,978	5.1%	125	0.02%
Wrexham	47,404	4.6%	47,293	4.6%	-111	-0.01%	30,978	3.8%	30,949	3.8%	-29	0.00%
Powys	42,516	4.1%	42,442	4.1%	-73	-0.01%	33,422	4.1%	33,403	4.1%	-18	0.00%
Ceredigion	22,547	2.2%	22,597	2.2%	50	0.00%	18,142	2.2%	18,135	2.2%	-7	0.00%
Pembrokeshire	41,956	4.1%	41,761	4.0%	-194	-0.02%	30,851	3.8%	30,728	3.7%	-123	-0.01%
Carmarthenshire	63,741	6.2%	63,710	6.2%	-31	0.00%	50,991	6.2%	51,072	6.2%	81	0.01%
Swansea	77,608	7.5%	77,589	7.5%	-19	0.00%	62,663	7.6%	62,562	7.6%	-101	-0.01%
Neath Port Talbot	46,468	4.5%	46,591	4.5%	123	0.01%	40,212	4.9%	40,081	4.9%	-131	-0.02%
Bridgend	47,465	4.6%	47,536	4.6%	71	0.01%	39,046	4.7%	39,152	4.8%	106	0.01%
Vale of Glamorgan	45,043	4.3%	45,065	4.4%	22	0.00%	36,923	4.5%	36,856	4.5%	-67	-0.01%
Rhondda Cynon Taf	82,633	8.0%	82,507	8.0%	-126	-0.01%	69,588	8.5%	69,564	8.5%	-25	0.00%
Merthyr Tydfil	20,056	1.9%	20,092	1.9%	36	0.00%	15,153	1.8%	15,150	1.8%	-3	0.00%
Caerphilly	62,679	6.1%	62,721	6.1%	42	0.00%	53,039	6.5%	53,193	6.5%	154	0.02%
Blaenau Gwent	22,441	2.2%	22,617	2.2%	176	0.02%	16,057	2.0%	16,157	2.0%	100	0.01%
Torfaen	30,724	3.0%	30,910	3.0%	186	0.02%	27,152	3.3%	27,199	3.3%	47	0.01%
Monmouthshire	27,201	2.6%	27,248	2.6%	47	0.00%	20,152	2.5%	20,189	2.5%	37	0.00%
Newport	52,799	5.1%	52,749	5.1%	-50	0.00%	42,483	5.2%	42,487	5.2%	4	0.00%
Cardiff	115,991	11.2%	115,754	11.2%	-238	-0.02%	85,830	10.4%	85,613	10.4%	-217	-0.03%
Wales	**1,035,533**	**100.0%**	**1,035,533**	**100.0%**	**0**	**0.00%**	**822,308**	**100.0%**	**822,308**	**100.0%**	**0**	**0.00%**

Option 5: Change the data source to be based on dependent children data

27. Currently the free school meals data is not used to distribute the school meals IBA – the number of dependent children in out of work families is used. This exemplification presents the change in SSA if the number of dependent children in out of work families were used as the main deprivation indicator in the primary and secondary IBAs. This results in a very large change on the current distribution, with Swansea having the largest reduction in SSA and Newport having the largest increase

Table 5: Exemplification to show the impact of updated Free School Meals to a three year average (2016, 2017 and 2018) only on the 2018-19 SSA

Local authority	Nursery & Primary school teaching and other services						Secondary school teaching and other services					
	Based on 2017 PLASC		Dependent children in out of work families		Difference		Based on 2017 PLASC		Dependent children in out of work families		Difference	
	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares	£000s	Shares
Isle of Anglesey	24,584	2.4%	24,687	2.4%	104	0.01%	17,721	2.2%	17,804	2.2%	83	0.01%
Gwynedd	41,611	4.0%	41,690	4.0%	79	0.01%	31,350	3.8%	31,558	3.8%	208	0.03%
Conwy	34,712	3.4%	34,712	3.4%	0	0.00%	29,037	3.5%	29,087	3.5%	50	0.01%
Denbighshire	33,391	3.2%	33,378	3.2%	-14	0.00%	29,663	3.6%	29,444	3.6%	-219	-0.03%
Flintshire	51,961	5.0%	52,046	5.0%	86	0.01%	41,853	5.1%	41,911	5.1%	58	0.01%
Wrexham	47,404	4.6%	47,217	4.6%	-187	-0.02%	30,978	3.8%	31,631	3.8%	654	0.08%
Powys	42,516	4.1%	42,473	4.1%	-43	0.00%	33,422	4.1%	33,331	4.1%	-91	-0.01%
Ceredigion	22,547	2.2%	22,673	2.2%	125	0.01%	18,142	2.2%	18,153	2.2%	11	0.00%
Pembrokeshire	41,956	4.1%	41,824	4.0%	-132	-0.01%	30,851	3.8%	30,709	3.7%	-142	-0.02%
Carmarthenshire	63,741	6.2%	63,693	6.2%	-48	0.00%	50,991	6.2%	50,864	6.2%	-127	-0.02%
Swansea	77,608	7.5%	76,769	7.4%	-839	-0.08%	62,663	7.6%	61,854	7.5%	-809	-0.10%
Neath Port Talbot	46,468	4.5%	46,428	4.5%	-40	0.00%	40,212	4.9%	39,544	4.8%	-669	-0.08%
Bridgend	47,465	4.6%	47,650	4.6%	184	0.02%	39,046	4.7%	39,384	4.8%	337	0.04%
Vale of Glamorgan	45,043	4.3%	45,188	4.4%	145	0.01%	36,923	4.5%	36,767	4.5%	-156	-0.02%
Rhondda Cynon Taf	82,633	8.0%	82,422	8.0%	-211	-0.02%	69,588	8.5%	69,534	8.5%	-54	-0.01%
Merthyr Tydfil	20,056	1.9%	20,340	2.0%	284	0.03%	15,153	1.8%	15,362	1.9%	208	0.03%
Caerphilly	62,679	6.1%	62,547	6.0%	-133	-0.01%	53,039	6.5%	52,445	6.4%	-594	-0.07%
Blaenau Gwent	22,441	2.2%	22,720	2.2%	278	0.03%	16,057	2.0%	16,446	2.0%	389	0.05%
Torfaen	30,724	3.0%	31,047	3.0%	323	0.03%	27,152	3.3%	27,205	3.3%	53	0.01%
Monmouthshire	27,201	2.6%	27,386	2.6%	184	0.02%	20,152	2.5%	20,335	2.5%	184	0.02%
Newport	52,799	5.1%	53,226	5.1%	426	0.04%	42,483	5.2%	42,953	5.2%	471	0.06%
Cardiff	115,991	11.2%	115,420	11.1%	-572	-0.06%	85,830	10.4%	85,987	10.5%	157	0.02%
Wales	**1,035,533**	**100.0%**	**1,035,533**	**100.0%**	**0**	**0.00%**	**822,308**	**100.0%**	**822,308**	**100.0%**	**0**	**0.00%**

Recommendation

28. It is recommended that the three year average up to 2018 should be used for this settlement, with the education sub group tasked with finding a potential alternative to the current data source for the 2020-21 settlement and beyond.

Conclusion

29. DSG members are asked to consider the appropriateness of the options for distribution outlined in this paper and to make a recommendation on a way forward.

Local Government Finance Policy
Welsh Government