



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Education

Investigation into the free school meals voucher scheme

What this investigation is about

1 State schools must provide free school meals to eligible pupils. Pupils may be eligible if their parent or carer is in receipt of specified income-related benefits, including Universal Credit. At January 2020, there were 1.44 million eligible children in England. The Department for Education (the Department) funds free school meals with the aim of ensuring that disadvantaged pupils have a healthy lunch that will support their learning and development.

2 On 18 March 2020, the government announced that, in response to the COVID-19 pandemic, schools in England would close on 20 March 2020 for all pupils except vulnerable children and children of key workers. The Department said that it expected schools to continue to provide free meals during term time to pupils eligible for benefits-related free school meals who were not attending school. On 31 March 2020, the Department announced a national free school meals voucher scheme, as a temporary substitute for the normal arrangements. The vouchers were worth £15 per week for each eligible child.

3 The Department awarded a contract to administer the voucher scheme to a private contractor, Edenred (UK Group) Ltd (Edenred). Schools had a choice whether to use the scheme or to make local arrangements. Schools participating in the scheme ordered electronic codes (eCodes) online that could be converted into shopping vouchers for families to use at nominated supermarkets. The vouchers were mainly in the form of electronic gift cards, although paper vouchers could be printed.

4 This investigation was prompted by reports in April 2020 of problems that schools and parents were experiencing when using the scheme, including difficulties and delays in accessing the Edenred website to order eCodes and convert them to vouchers.

5 This report covers eligibility for free school meals (Part One), the voucher scheme's design and procurement (Part Two), performance (Part Three) and costs (Part Four). We conducted our fieldwork between June and October 2020. Appendix One sets out our methods. We did not assess the value for money of the voucher scheme or cover alternative local arrangements that schools may have put in place.

Summary

Key findings

Scheme design and procurement

6 The Department set up the voucher scheme in 18 days in March 2020.

On the introduction of lockdown restrictions, the Department considered that it would be best for schools to support children eligible for free school meals who were not attending school, by using their catering providers to supply meals or food parcels directly to families. It also considered other options for providing support, including an uplift to benefits or giving local authorities or schools money to distribute directly to eligible families. The Department concluded, however, that a national electronic voucher scheme was the only secure, viable and cost-effective solution that it could lead and put in place quickly. The government approved the decision to develop the scheme on 13 March 2020. After two weeks working with the contractor to design and set up the arrangements, the Department launched the scheme on 31 March 2020 (paragraphs 2.2 to 2.5 and 2.7, and Figure 3).

7 The Department appointed Edenred (UK Group) Ltd (Edenred) to run the scheme, using an existing government framework contract. In order to get the scheme running quickly, the Department looked first to government's existing contractual frameworks and suppliers with which government already had relationships – where the mechanism to implement the voucher scheme was available, assurances regarding data security and management had already been determined, and costs could be met centrally. On 16 March 2020, the Department asked the Crown Commercial Service if there was an existing framework contract that could be used to provide the voucher scheme or, if not, to facilitate an introduction to Edenred. Edenred is the sole supplier to government departments and public bodies under a Crown Commercial Service framework covering the provision of employee benefit and recognition schemes, including vouchers, through an online platform. The Department awarded an initial contract to Edenred on 28 March 2020, and extended the contract twice (paragraphs 2.8 to 2.11, and Figure 3).

8 The Department recognised that the choice of supplier, speed of implementation and uncertainty about likely take-up of the scheme created risks. The Department was uncertain how many schools would register to use the scheme, and estimated that take-up could be anywhere between 50% and 100% of schools. In its contract award letter to Edenred, the Department said that it would provide registration details for more than 20,000 schools, equivalent to potentially 100% take-up, but it had limited evidence of Edenred's capacity to deliver the scheme to this scale and the required pace. The Department told us that it confirmed with the Crown Commercial Service that no issues had been raised about Edenred's prior performance as a government supplier. The Department's economic and financial assessment concluded that Edenred's UK business did not have the financial standing that would normally be required for a contract of this value. In such circumstances the Department would normally have asked for a parent company guarantee. However, it judged that this would not be possible in the time available and that other mitigations were sufficient (paragraphs 2.12 to 2.14).

Scheme performance

9 Over 90% of state schools registered to use the scheme. The number of schools registered for the scheme rose quickly in the first two weeks, and again after the government announced on 16 June 2020 that the scheme would be extended to cover the school summer holiday. By August 2020, the number of schools that had registered for the scheme was 20,717 (94% of state schools in England). Schools could choose to continue with local free school meal arrangements rather than joining the scheme, and the proportion of schools registering varied across the country. The Department does not know precisely how many children have been supported by the voucher scheme. To avoid Edenred having to handle a large volume of sensitive personal data, the Department did not require schools to provide pupil details when they were ordering eCodes. Edenred told us that it estimated, based on the number of unique email addresses used, that the scheme supported between 850,000 and 900,000 families (paragraphs 2.6 and 3.2 to 3.5, and Figures 3 and 4).

10 Some schools and families experienced problems with the scheme, particularly in the early weeks. Edenred's IT system did not generate complete and systematic data, for example on waiting times, for the first phase of the scheme, but correspondence we received and other evidence indicate there was a range of problems. Schools reported that it was difficult and time-consuming to register for the scheme in the first instance. Schools told us that it was difficult to log onto Edenred's website to order eCodes and that staff had to do this late at night to avoid long waiting times. Schools and parents said they could not get prompt support from Edenred, either by telephone or email. The number of calls to Edenred's helpline grew rapidly, peaking at 3,940 on 14 April 2020. The number of emails Edenred received from schools and parents also grew sharply, peaking at 8,878 on 29 April 2020. To help manage the volume of emails, on 17 April 2020, Edenred introduced an artificial intelligence system which generated automated tailored responses to the most frequently asked questions (paragraphs 3.7, 3.14 and 3.16).

11 The Department and Edenred took action to improve the scheme's capacity and performance. The Department told us that the reported problems resulted from Edenred's systems having insufficient capacity to meet demand. Edenred told us that it took steps during April 2020 to upgrade its IT systems, improve communications with schools and families, and help supermarkets manage demand for vouchers – and that it continued to make improvements over the life of the scheme. Over the weekend of 2 and 3 May 2020, Edenred identified approximately 40,000 emails containing eCodes that had not been delivered to families because email addresses provided by schools were incorrect. It contacted those schools to advise them how to order replacement eCodes. At the height of the problems, departmental officials held daily calls with Edenred to monitor progress. Ministers also intervened directly to seek assurance that Edenred was taking sufficiently robust action in response to the problems (paragraphs 3.8 to 3.17).

12 Edenred's management information indicates that interventions by the Department and Edenred led to improved scheme performance. The Department received daily management information showing, for example, the volume of orders processed. It did not systematically collect data on processing or response times, but told us that it discussed these issues in daily meetings with Edenred at the start of the scheme. Edenred's own management information points to improvements in performance over the duration of the scheme. The time it took Edenred to process orders for eCodes dropped from an average of 4.93 days in April 2020 to 0.16 days in July 2020. Average waiting times for schools and parents to access Edenred's website fell to virtually zero by July 2020 – from an average in late April 2020 of over 42 minutes for schools and over 12 minutes for parents. Edenred's surveys of school administrators and parents also indicate satisfaction levels grew over the course of the scheme (paragraphs 3.11 and 3.18 to 3.20, and Figures 6 and 7).

13 The number of supermarket chains participating in the scheme rose from six at the start to 10 by 29 June 2020. The Department wanted a broad range of stores to take part in the scheme, so that families could use the vouchers in local, convenient shops that met their needs. It also required that families should be able to spend their vouchers in any branch of a retailer, and that participating shops and supermarkets should be able to roll out vouchers quickly through Edenred's website. These requirements meant that, at the start of the scheme, participation was limited to six national supermarket chains with which Edenred had existing commercial relationships and which already had digital gift card systems in place. Four other stores joined later, after developing compatible systems. The average value of vouchers that families requested per week was highest for Asda, followed by Tesco and Aldi. Some supermarket chains, including Lidl, as well as local convenience stores, the Co-operative Group and other co-operative societies, did not take part in the scheme (paragraphs 3.21 to 3.24 and 3.26, and Figure 8).

14 The Department aimed to achieve the best possible coverage by stores accepting the vouchers, but recognised there would be limitations, especially in rural areas. It requested analysis by the Department for Environment, Food & Rural Affairs to check there was at least one participating retailer in each local authority, but did not analyse the distances parents would need to travel to stores or how long it would take using available means of transport. Our analysis shows that, at the start of the scheme, 11.2% of schools were more than five kilometres from the nearest participating store; choice was limited for a further 6.0% of schools where there was only one participating supermarket store within five kilometres. It is possible that coverage may have improved as more supermarket chains joined the scheme (paragraphs 3.28 and 3.29).

Scheme costs

15 At 5 October 2020, the Department forecast that the final cost of the scheme would be no more than £384 million. The Department does not know the value of vouchers that families have used because data are not available from the supermarket chains. At the start, the Department had incomplete information to use to estimate reliably the likely cost of the scheme. It estimated that the potential maximum cost could be £473 million, assuming 100% take-up and were the scheme to cover the school holidays as well as term time. The £384 million forecast final cost represents 81% of this estimate (paragraphs 4.6 to 4.11, and Figure 10).

16 The Department does not know whether Edenred made a profit from running the scheme. The Department paid Edenred the face value of eCodes issued to families, less any cancelled or expired codes. This arrangement means the final cost to the Department will be the value of vouchers that families received. The Department did not pay Edenred a management fee or any costs for administering the scheme, and there were no financial incentives or penalties linked to performance. Under its framework contract, Edenred must pay the Crown Commercial Service a management charge of 1% of the value of vouchers issued. Edenred generated revenue from the scheme by buying vouchers from supermarket chains at a discount on their face value. Under the framework contract, the Department has an open book arrangement that would give it sight of Edenred's income and costs relating to the scheme. At the time of our work, the Department had not made use of this arrangement and told us it did not know details of the potential profit or loss Edenred may have made from running the scheme (paragraphs 3.6 and 4.2 to 4.5, and Figure 9).