



DWP Department for
Work and Pensions

Universal Credit: the impact on passported benefits

Report by the Social Security Advisory
Committee and response by the
Secretary of State for Work and Pensions

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Introduction

1. Claimants who are currently entitled to out-of-work means tested benefits or tax credits can also be eligible for a range of other support, including free school meals and health benefits such as free prescriptions. These are known as passported benefits. Defining the entitlement criteria for certain passported benefits is the responsibility of many Government Departments and the Devolved Administrations.
2. The introduction of Universal Credit in October 2013 brings radical changes to the benefits system. It is a new single system of means-tested support for working-age people in and out of work. Support for housing costs, children and childcare costs will be integrated and it will provide additions for disabled people and carers.
3. As a result, some existing means-tested benefits will no longer exist, including income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, tax credits and Housing Benefit.
4. Eligibility for passported benefits, therefore, needs to be reconsidered.
5. In May 2011, the Department for Work and Pensions commissioned the Social Security Advisory Committee (SSAC) to undertake an independent review of passported benefits and how they link with Universal Credit. The Department asked the SSAC to review the evidence on passported benefits, consider how they are valued by recipients and the extent to which they impact on the incentive to work and to provide advice on how they should be considered in future.
6. The report by the SSAC is included in this document at page 23.

The Social Security Advisory Committee's Report

7. The SSAC undertook a public consultation exercise as part of their review and received over 60 responses from individuals and organisations. They also liaised with Government Departments and the Devolved Administrations during the course of their review. They undertook further work with a wide range of stakeholders, including focus groups with benefit recipients and welfare rights groups to inform their findings.
8. The SSAC's review focussed in particular on the need to reduce the complexity of passported benefits, support work incentives but deliver change on a cost neutral basis.

9. The SSAC set out 'guiding principles' for passported benefits and put forward a number of broad suggestions on how they may be taken forward in future. The SSAC did not consider the interaction of passported benefits and Pension Credit within its review and this response focuses on working age claimants only.
10. More specifically, the SSAC has broadly considered passported benefits in four groups: Education, Health, Utilities and Access to Justice.

Education related benefits

11. Whilst the SSAC acknowledged that it is not possible to create a hierarchy of passported benefits, they noted that some are considered by recipients to be particularly important, and focussed in particular on the provision of free school meals. They noted that, in the longer term, there may be scope for a radical new approach for free school meals to forge much closer links with Universal Credit, perhaps including a component for school meals in the overall Universal Credit award. This would need to be consistent with the Government's aim to provide healthy school meals. The SSAC also proposed possible options for eligibility criteria in the short term. These include the potential to provide a 'run-on' whereby entitlement continues for a set period even where earnings or income increases above the entitlement threshold and a tapered approach where support is withdrawn gradually as income rises.

Health related benefits

12. The SSAC addressed a range of health benefits in their report and focussed on free prescriptions and Healthy Start vouchers in particular. Their consultation found firm support for health related benefits and the essential function they fulfil. The report considered short term options for health benefits to: link eligibility to income levels; align the low income scheme more closely to Universal Credit; provide run-ons in a similar way to that explored for free school meals or use a tapered approach. In the longer term, the SSAC note the potential for using technology to support the administration of health related passported benefits.

Access to Justice

13. The SSAC looked at passported benefits delivered by the Ministry of Justice, primarily the provision of legal aid and remission for court fees. They noted that there were fewer responses about the justice passported benefits during the consultation and that the legal aid system was already undergoing a wide ranging programme of reform in England.
14. They also considered the Assisted Prison Visits Programme. They noted the potential in the longer term for applications to be more automated such as through the Universal Credit system.

Utility and Energy related benefits

15. The SSAC considered the range of passported benefits that can provide support with utility costs including help with water bills, electricity costs, and cold weather payments.
16. They noted that the introduction of Universal Credit will provide opportunities for these benefits to be better targeted in future and that better data matching will support improved administration. In the short term, the best solution for determining eligibility for these passported benefits may be to use an income or earnings test.

Government Response

17. The Coalition Government has noted the SSAC's report into passported benefits. It supports the Government's view that many of these benefits provide vital support to people on low incomes and are valued highly by the individuals that receive them.
18. The introduction of Universal Credit represents not only a challenge for Departments and organisations with responsibility for passported benefits, but also a unique opportunity to consider more fundamental reform to simplify and streamline some passported benefits in future.
19. In the short term, it is important that Government Departments and the Devolved Administrations focus on setting the new eligibility criteria for passported benefits that will need to be in place from 2013. Once Universal Credit is fully rolled out it will provide support for around 8 million households, not all of whom will be entitled to passported benefits. It is a crucial decision for organisations to consider how best to target funding for passported benefits within the resources available.

20. The SSAC sets out the fundamental objectives for passported benefits and the Government recognises the important role of these benefits to reduce poverty, improve children's outcomes and the quality of family life and help manage health conditions. In setting the future design of passported benefits, it is essential to underpin these objectives whilst preserving the fundamental aim of Universal Credit to support incentives to work. The Department for Work and Pensions intends to continue to work closely with those responsible for passported benefits as they develop new eligibility criteria. Organisations will need to deliver the new criteria within the financial limits of individual schemes and to deliver well targeted, effective schemes with particular regard to the financial climate.
21. Generally, passported benefits in Scotland are a matter for the Scottish Government. The Scottish Government intends to bring the SSAC's report to the attention of the newly created Welfare Reform Committee of the Scottish Parliament to help inform the approach to passported benefits in future.
22. The role of this Committee is to review the policies flowing from the UK Welfare Reform Act and monitor the implementation of these policies as it affects welfare provision in Scotland. In particular, the Scottish Government has noted the worked examples in SSAC's report setting out the financial value of passported benefits and the strong links between those benefits and broader Scottish Government policy objectives, such as early intervention and supporting healthier lives.
23. The Scottish Government accepts the SSAC's view that a gradual approach to revising arrangements for passported benefits is likely to be appropriate. Whilst it is important that arrangements are in place for the initial rollout of Universal Credit from 2013, greater simplification may be achievable in the longer term. More specifically, the Scottish Government agrees with the SSAC's view that any options for greater integration is a matter for longer term consideration.
24. The Welsh Government provides a number of passported benefits for Wales and will decide the future of these benefits following the introduction of Universal Credit.
25. The SSAC's Review will be brought to the attention of the Ministerial Task and Finish Group for Welfare Reform for consideration on the suggested guiding principles in relation to Welsh Government passported benefits. The group is responsible for assessing the impact of Welfare Reform on Wales and ensuring an appropriate, coordinated response. This will be carried out inline with the policy priorities of the Welsh Government.

26. The Welsh Government accepts, in principle, that where possible, consideration will be given to further simplify eligibility for passported benefits in order to create a less complicated process for claimants. The Welsh Government also recognises how valuable passported benefits can be to claimants and their wider role in supporting policy objectives. It is important to note, however, the policy aims of the Welsh Government might not always align with those of the Department for Work and Pensions. The Welsh Government was pleased to note this distinction between the administrations has been picked up within the review.

Passported Benefits and Incentives to work

27. The Coalition Government endorses the SSAC's view that the design of passported benefits under Universal Credit can have a key impact on incentives to work. In the current benefit and tax credit system, interacting taper rates can mean that some people have little or no incentive to work, or to improve their income once in work. As the SSAC's report notes, in Universal Credit, a single taper rate and a system of earnings disregards will allow people in work to see clearly how much support they can get while making sure that people considering a job will understand the advantages of work. Whilst final decisions on the taper rate have not yet been made, the Government has illustrated a potential withdrawal rate of 65 per cent¹ which would broadly mean that claimants would be £35 better off for every £100 of net earnings.
28. The Government acknowledges the views of respondents to the review that passported benefits should not be lost in their entirety when people enter into work. Given the potentially high monetary value of passported benefits, it is important to consider the impact on work incentives if they are all withdrawn at the same time and at the same income level.
29. SSAC notes that there is mixed evidence about the impact of passported benefits on work incentives. However, it is important to highlight that the responses gathered in the review focus on the impact of passported benefits within the current benefits and tax credit system rather than the impact under Universal Credit. This is an important distinction as, currently, at the point some passported benefits are withdrawn, recipients often receive an increase in working tax credits that helps compensate for the loss of the value of the passported benefit.

¹ <http://www.dwp.gov.uk/docs/ucpbn-14-disregards-tapers.pdf>

30. This is demonstrated in the current benefits system where a claimant is compensated for the withdrawal of free school meals at the point they enter into 16 or more hours work by their entitlement to working tax credits whereas in Universal Credit, there is a much smoother uplift in income as earnings increase.² Under Universal Credit, the single taper rate will make it much easier for households to know exactly what each hour of work will mean for them financially.
31. The Government aims to ensure that collectively, passported benefits support the work incentive objectives of Universal Credit. Departments and the Devolved Administrations with responsibility for passported benefits are actively considering their eligibility criteria, taking into account work incentives and the policy objectives of the benefits concerned. These issues are discussed in more detail in the sections below on, Education, Health, Access to Justice and Utilities.

The Government's longer-term strategy for passported benefits

32. The Welfare Reform Act 2012 will bring about radical reform to the welfare system for people of working age. Universal Credit will drive fundamental change to the benefits and tax credit system, and make great strides in the reduction of poverty and worklessness.
33. But change does not start and end with introduction of Universal Credit. The Coalition Government will deliver a programme of continuous improvement that will encompass a variety of welfare support services that are delivered across many organisations. The SSAC report sets out a detailed account of the array of passported benefits available and it is clear that their extensive coverage can make a real difference in all areas of people's lives. Because of the crucial role that this help provides, it is essential that the Government meets the very best standards in service delivery, encourages full use of those services whilst supporting work incentives objectives.
34. Many passported benefits, and their associated administrative functions, have been in place for many years and in some cases, modernisation is long overdue. The Government recognises that, given the legislative and administrative change that would be required, radical reform of passported benefits may not be achievable for the initial stages of Universal Credit and that the first challenge will be for Departments and organisations to review their entitlement criteria for 2013.

² Free school meals are provided to those in receipt of WTC and CTC in Scotland, although entitlement is withdrawn at £6420

35. The Department for Work and Pensions' aspiration is to explore further welfare reform by offering a generic approach for the current suite of passported benefits. This could mean that people would be able to claim their usual Universal Credit award, but with added components for a range of other suitable benefits and public services. Claimants would be able to self-certify they have, or will, make payment from their Universal Credit from a list of agreed services. The total award, including the additional component would then be withdrawn gradually as income rises. The Government will consider this alongside other priorities for the next Spending Review.
36. The Government recognises that a pure cash allowance for services or benefits may not be appropriate for some passported benefits. However, mirroring the childcare model that will be used for Universal Credit would deliver the advantages of a cash award whilst preserving the benefit-in-kind principle that guarantees the provision of a specific service. This is because, as with the childcare model, costs will only be paid for the actual cost of the good and checks would be in place with providers to verify that the funds are spent appropriately. Put simply, the payment would be made contingent on funds being spent on the actual service.
37. The Department for Work and Pensions believes that this approach could underpin the clear advantages of Universal Credit whilst supporting the policy intent of specific passported benefits. In particular, a streamlined one-stop service is more likely to deliver a better service to claimants.
38. This approach also has potential to encourage claimants to make greater use of public services. In effect, benefits and services would be made available to more people without impacting on overall cost, and issues associated with accessibility should be removed. This is because those claimants whose Universal Credit award is subject to the taper would be part funding the cost of the service from other income.
39. The key benefit of this generic approach is that it could eliminate any adverse effect of passported benefits on incentives to work. This is because the cliff edge issue discussed in the SSAC report would be removed. In some cases, claimants may be able to see financial impact of moving into work against the entire range of support they receive from the Government.

40. The Government recognises that for people on low incomes, it is essential to avoid requiring claimants to make upfront payment for goods or services. The system will be supported by IT that will adjust Universal Credit payments according to income reported through an upgraded real-time information version of the Pay-As-You-Earn tax system. This will reduce the need for claimants to inform the Government of changes in their income and will be more responsive to those changes to ensure that people receive additional help quickly should their incomes fall. Working in partnership with Her Majesty's Revenue and Customs by linking in to their real-time information system, the Department for Work and Pensions will ensure Universal Credit is a responsive, efficient means of support. For the additional services that may be included in Universal Credit in the future, the Government will explore how best it can deliver prompt support, either through payment in advance or by further re-use of information provided through the real-time information system.
41. Whilst this might not present the optimum solution for all passported benefits and other models may be considered for some benefits, the design of Universal Credit means that more services could gradually be added over time. There is further scope to add one-off electronic claims for some passported benefits which may be paid irregularly.
42. The Coalition Government will explore its longer term strategy for passported benefits in more detail as Universal Credit beds in from 2013. However, an integrated, streamlined system would remove some of the administrative burdens currently associated with many passported benefits and deliver modern services that fit within the guiding principles of simplification and making work pay as set out in SSAC's report.

Guiding Principles

43. The SSAC set out its guiding principles for passported benefits within key objectives of simplification and making work pay.

Guiding principles - Simplification

44. In relation to simplification, the Coalition Government and Devolved Administrations are already working together in advance of the introduction of Universal Credit to consider entitlement to passported benefits and therefore supports the SSAC's comments about close working to improve co-ordination and understanding. Whilst the Government accepts there may be scope for more consistency in its approach to some passported benefits, it is also important to look across the piece at the eligibility and withdrawal criteria to avoid passported benefits being withdrawn in bulk as claimants start work or increase their income.
45. The Government will consider opportunities for more automated processing and entitlement through better use of technology.
46. The SSAC report mirrors the recommendation made by the National Audit Office and the Public Accounts Committee that one organisation should have responsibility for co-ordinated means tested benefits across Government. The Government has responded to the Public Account Committee's report separately. It should be noted, however, that the recommendation in their report refers to means-tested benefits in their entirety, including the out of work benefits and tax credits that will be replaced by Universal Credit.

Guiding principles – Making work pay

47. The Coalition Government notes the SSAC's comments on the terminology used for passported benefits and this will be considered more widely in line with further integration with the Universal Credit system in future.
48. The Department for Work and Pensions will undertake a wide ranging communications strategy in advance of the introduction of Universal Credit to support claimants with the changes it will bring and to support effective delivery. They will work closely with other Government Departments, the Devolved Administrations and other external organisations, to explore how best these messages can support improved awareness and understanding of passported benefits.

Education related benefits

49. In relation to education related benefits, the SSAC's report focuses on the provision of free school meals. The Coalition Government recognises that free school meal eligibility is important to securing the policy objective of providing a nutritious meal to a defined group of children.
50. The Government is committed to ensuring that pupils can eat good quality, healthy food. Healthy school food underpins work to improve academic standards, improve behaviour at school, reduce incidence of preventable illness and improve social equality. Healthy school dinners are an important source of nourishment, particularly for children from poorer families. Some families struggle to afford school lunches and a school lunch may be the only balanced meal some disadvantaged children get. It is right that these pupils have the opportunity to eat healthy food at school.
51. As well as being an important benefit in its own right, free school meal eligibility is also used as a proxy indicator of deprivation, for example in allocating the Pupil Premium to schools and in school performance tables and other research. The Government wants to ensure that the eligibility criteria under Universal Credit can continue to be used in this way in England.
52. Whilst eligibility for free school meals can sometimes link to other passported benefits, it is important to note that receipt of the meal does not mean that a child is automatically entitled to school transport, school clothing grant or school milk as is suggested in some of the illustrative examples in the SSAC's report. For example, some local authorities no longer provide clothing grants and not all schools provide milk.
53. The introduction of the award winning online free school meals Eligibility Checking System in England and Wales has had a significant impact on the smooth running of the application of free school meals and enables local authorities to check eligibility quickly, simply and cheaply. The Government's aim is to ensure that the Eligibility Checking System will continue to check data from the Department for Work and Pensions once Universal Credit has been introduced. The Department for Education will work with local authorities to ensure a seamless transition and to see whether it is possible to make any improvements to the system.

54. The provision of free school meals to all recipients of Universal Credit would almost treble the numbers currently eligible. Although the Government is sympathetic to the arguments for extending eligibility to free school meals, this is simply unaffordable in the current economic climate. In England, the Department for Education is, therefore, likely to propose defining eligibility in relation to a fixed income threshold assessed within Universal Credit and will be consulting on new eligibility criteria later this year. The focus of the consultation will be on setting criteria which can be put in place for the change to Universal Credit from October 2013.
55. In relation to the longer term strategy for free school meals, the Government notes the SSAC's discussion around 'cashing up' free school meals. A change of this magnitude would require substantial legislative and administrative change and could only be considered as part of the Government's longer term strategic approach to passported benefits. Whilst the focus of the Department's consultation is in relation to the approach for free school meals from 2013, it will also seek comments on the longer term strategy. The Department for Education has not decided whether free school meals would be included in any future generic approach to passported benefits. Any model used will need to ensure there is a positive impact on the take up of free school meals and would need to ensure school's could identify children who attract the Pupil Premium.

Education related benefits in Scotland

56. The Scottish Government is clear about the benefits of providing free school meals, particularly to families affected by poverty, and notes the evidence and views presented in the SSAC's report about retaining free school meals as a passported benefit. The Scottish Government is planning to consult on how best to adapt its policy to maintain the current levels of eligibility for free school meal provision, following the introduction of Universal Credit.
57. The SSAC noted the legislation in place which gives local authorities in Scotland the power to provide free school meals to children from Primary years 1 to 3. This will not be affected under Universal Credit.

Health related benefits

58. Different arrangements for health benefits are in place in England, Scotland and Wales (for example prescriptions are free for all in Wales and Scotland).

59. The Coalition Government welcomes the views of respondents to the SSAC's consultation which underlined the importance of health benefits such as free prescriptions and Healthy Start vouchers. These benefits play an important role in supporting people to stay healthy.
60. In relation to health related benefits, the SSAC's report focuses on free Prescriptions and Healthy Start vouchers, although help is also available for:
- charges for NHS prescriptions
 - charges for NHS dental treatment
 - charges for NHS wigs and fabric supports
 - the cost of sight tests and glasses or contact lenses
 - the cost of travel to receive NHS treatment under the care of a consultant, or for any additional journey to receive NHS care following a referral by a doctor or dentist (but not for primary care).
61. Exemption from the above listed benefits (along with prescription charges) is generically termed Help with Health Costs. There are extensive exemption arrangements, which can vary for each type of NHS charge based on age, or medical condition or income. Under the current arrangements, people receiving certain income related benefits, e.g. Income Support, income based Jobseeker's Allowance or income related Employment and Support Allowance, are entitled to full Help with Health Costs (i.e. they are "passported" to entitlement.) Those getting child tax credits, either with working tax credit, or child tax credit on its own, or those receiving working tax credit with a disability element are also passported to entitlement, if their income for tax credit purposes is £15,276 or less. These exemptions help to ensure that cost is not a barrier to receiving treatment for those on the lowest incomes.

The NHS Low Income Scheme

62. The SSAC's report considers the Low Income Scheme which is available for people who would otherwise have to pay and are not in any of the automatically passported groups. The Department of Health operates this scheme in England and similar provision is available in Scotland and Wales.

63. Help is available on a full or partial basis (except in the case of prescription charges, where there are no arrangements for partial help). The extent of any help is based on a comparison between a person's income and needs. The calculation is based on income support arrangements with "needs" being equivalent to the income support applicable amount plus full housing costs and council tax. Anyone who is entitled to help will be sent a certificate for either full help or partial help. Each certificate will show who may use it and how long it lasts for, normally 12 months.
64. The Department of Health notes concerns raised by respondents to their consultation about this scheme. It should be noted this scheme currently provides an important safety net to those people who are not automatically passported, for example those getting contribution based benefits, as well as those over state pension age. However, the Department of Health will review the NHS Low Income Scheme, to consider how best to align it with Universal Credit in a way that provides the best way forward for health support costs within the current financial climate.

Prescription Prepayment Certificate

65. Anyone who is not entitled to full help but needs 4 or more prescription items in three months or more than 13 items in 12 months may benefit from buying a prescription prepayment certificate. Holders of these certificates pay no further charge at the point of dispensing.
66. The Government has held prescription pre-payment certificate prices at the same level this year; from 1 April 2012 a three monthly Prescription Prepayment Certificate is £29.10. A 12 month certificate is £104.00 and can be paid for in a lump sum or it is available by 10 monthly direct debit instalment payments.
67. The Department of Health welcomes the opportunity to review the role that passported benefits play in the welfare state for all the Government's objectives. In considering the SSAC's report, the Department of Health accepts the SSAC's view that a pure model to "cash up" health benefits is probably neither feasible nor practical for health benefits. As respondents to the report highlighted, for many, health costs can be unpredictable and cost should not be a barrier to treatment. Being able to claim entitlement at the point of delivery is essential for those who are entitled to exemption. Ensuring that people have access to treatment (e.g. prescription medicines) without the worry of having to pay, will also help maintain their fitness to work.

68. The Department of Health agrees that it will be important to work closely across Government to share information on passported benefits. It is important that there is a coherent approach to these benefits, enabling passported benefits to contribute as far as possible to the Government's wider goals on making work pay, whilst also continuing to meet the specific needs they are designed to address.
69. For the effective and simple delivery of Help with Health Costs, a clear statement of entitlement to health benefits as part of the Universal Credit award notification is important. Providing a statement of entitlement directly from the Universal Credit system would support the SSAC's suggestion that Universal Credit IT should automatically calculate entitlement to some passported benefits. Further, such a statement would inform claimants of their entitlement, leading to greater transparency and simplicity.
70. The Department of Health recognises the importance of using technological approaches to service delivery in the future. The Electronic Prescription Service has potential to link with the Universal Credit IT system to indicate in real time if a patient meets qualifying prescription charge exemption criteria. However, the Electronic Prescription System will not cover all prescription even when fully rolled out, so this would need to be supported by other mechanisms to check prescription charge exemption declarations.
71. The Department of Health welcomes the SSAC's discussion on options for Help with Health Costs and will explore options based on an income threshold, and will also consider the affordability and feasibility of offering a short run-on to cushion families no longer meet the entitlement criteria as a result of moving into work or increasing income.
72. In developing on any new eligibility criteria for Help with Health Costs under Universal Credit, the Department of Health will have regard to the following principles:
- protecting those on the lowest incomes, in particular families with children to support the wider Government objective of lifting children out of poverty
 - maintaining access to treatment, by protecting the ability for a patient to claim entitlement to at the point of need e.g. collecting a prescription without charge from the pharmacy
 - supporting the Department for Work and Pensions benefit reform programme by encouraging people to take up work
 - having due regard to the aims of the equality duty
 - removing complexity where possible
 - creating no additional pressure on Department of Health and National Health Service budgets, at a time of financial constraint.

Healthy Start vouchers

73. With the provision of Healthy Start vouchers, the Coalition Government's aim is to support broadly similar groups as is the case now, whilst using the introduction of Universal Credit as an opportunity to make absolutely sure that vouchers are targeted in the fairest and most appropriate way.
74. In setting new criteria, the Department of Health is exploring eligibility criteria approaches related either to an income threshold or to the Universal Credit earnings disregard, depending which helps target the most vulnerable most effectively. It will consult on eligibility options later in the year.
75. The Government will consider how best Healthy Start vouchers can be withdrawn to support people as they move into work although it is essential that the options underpin the objective of Healthy Start vouchers to provide a nutritional safety net for the most vulnerable families.
76. The Department of Health welcomes the opportunities presented by Universal Credit to streamline Healthy Start's relationship with the benefits system – in particular to improve data sharing functionality, allowing the benefit to be more responsive to the needs of vulnerable families.

Health related benefits in Scotland

77. The Scottish Government notes the SSAC's recognition of its distinctive policy on free NHS prescriptions, free NHS eye examinations and free NHS dental examinations for all.
78. The Scottish Government is committed to retaining the current provision for health related passported benefits, including free NHS dental treatment and NHS optical vouchers. The Scottish Government is exploring possible eligibility criteria that will deliver this service under Universal Credit, bearing in mind the need to deliver any changes on a cost neutral basis.
79. The Scottish Government will liaise with the Department of Health in their discussions with the Business Services Authority in relation to the NHS Low Income Scheme.

Access to Justice

Legal Aid

80. The Coalition Government welcomes the SSAC's view that legal aid provides vital support to claimants at certain points in their lives, whilst acknowledging that as it is usually paid less regularly than some other passported benefits, it may have less of an impact on an individual's decision to move into work.
81. The Government notes the SSAC's concern regarding potential work disincentives if legal aid is withdrawn in a way that would create a cliff edge at a low income threshold. However, it is important to note that, as is the case now, claimants who are not automatically passported will be able to claim legal aid on a means-tested basis. For example, in England and Wales, to be financially eligible for civil legal aid an individual must have disposable capital of less than £8,000 and they can obtain non-contributory legal aid if they have a gross monthly income of less than £2,657 and a monthly disposable income below £315. Where disposable income is between £316 and £733 funding can be offered on the basis that they agree to pay contributions from income towards their legal costs. The provision of graduated income contributions and the irregularity of legal aid claims in most people's lives means the Government does not expect the provision of legal aid, or its removal, to have a negative impact on work incentives.
82. The Ministry of Justice is considering how the existing passporting arrangements for legal aid can be adapted under Universal Credit to support the principles of simplicity and transparency identified by the SSAC. The Government is exploring a number of options, including how to identify an appropriate income threshold for recipients of Universal Credit. A key factor in exploring options is to ensure that administrative costs do not outweigh the benefits of adapting the passporting process and that the new process is streamlined and efficient.

Court Fees

83. Her Majesty's Courts and Tribunal Service provides a fee remission system for users of its fee charging services to ensure that access to its services is protected for individuals who are less well-off. The majority of successful applications for remissions are granted on the production of evidence of the receipt of income related benefits which enables an administratively straightforward process. Similar to the legal aid scheme, applicants on low incomes may also apply for a remission based on a means test of gross annual income or disposal income. This means test allows applicants on low incomes to access Her Majesty's Courts and Tribunal Services that were not eligible through passported benefits.

84. The Ministry of Justice is considering how the existing passporting arrangements for legal aid can be adapted under Universal Credit to support the principles of simplicity and transparency identified by the SSAC. The Government is exploring a number of options, including how to identify an appropriate income threshold for recipients of Universal Credit. A key factor in exploring options is to ensure that administrative costs do not outweigh the benefits of adapting the passporting process and that the new process is streamlined and efficient.

Assisted Prison Visits Scheme

85. Similar to the legal aid scheme, the Assisted Prison Visits Scheme is not a continuous payment to the majority of claimants as most offenders are not imprisoned for long terms. Under this scheme, support is provided in England, Scotland and Wales.
86. The Government recognises that the current scheme may have a cliff edge and the Ministry of Justice needs to develop a means of eligibility under Universal Credit. However, given the often occasional payment of this benefit, it is unlikely to impact heavily on work incentives in the same way as some other passported benefits.
87. The Ministry of Justice will consider short term options for the introduction of Universal Credit in 2013 and could involve, for example a tapered approach or targeted support to some Universal Credit claimants. In the longer term, there may be advantages to considering adding one off applications for the cost of prison visits onto the Universal Credit award. This could automate a broadly similar process that is currently clerical.

Access to Justice in Scotland

88. The Scottish Government is also now considering how the existing passporting arrangements for legal aid can be adapted under Universal Credit, including giving consideration to the principles of simplicity and transparency identified by the Committee.

Utility and Energy related benefits

89. The SSAC considered a range of passported benefits which assist with energy and utility costs.

Water affordability

90. In England, the White Paper 'Water for Life' set out the Coalition Government's commitments for tackling water affordability issues. This explains that Government will shortly issue guidance to enable water companies to develop social tariffs to reduce the charges of those customers who are unable to pay their charges in full. Many water companies have existing support schemes for vulnerable customers and for customers in debt.

WaterSure

91. The Coalition Government-mandated scheme is WaterSure which caps the bills of low-income metered households in receipt of a qualifying means-tested benefit or tax credits at the average bill for their company if the household either has three or more children or somebody in the house has a medical condition which necessitates high use of water.
92. The Department for Environment, Food and Rural Affairs is considering how best to amend the regulations in light of the introduction of Universal Credit with the aim of maintaining the current principle of capping the bills of metered customers on low incomes but with essential high use of water.
93. In its White Paper, the Department for Environment, Food and Rural Affairs confirmed that it would not be extending the WaterSure scheme to a wider group and would focus on enabling water companies to offer support to the full range of customers at risk of affordability problems through company social tariffs. The eligibility criteria for Universal Credit will therefore aim to provide support to a broadly similar group as is the case within the current scheme.
94. The Government will work with key stakeholders including those which represent water companies, to discuss and communicate the changes to WaterSure.

Company Social Tariffs

95. Once final guidance is issued, it will enable water and sewerage companies to create social tariffs to reduce the charges of those people who would otherwise be unable to pay their water bills in full. They will be able to design their own schemes including eligibility criteria, the level of concession and the level of cross-subsidy and will decide whether a social tariff is the best way of tackling water affordability problems in their area. As Universal Credit will provide support to people in and out of work, water companies may find Universal Credit a useful passport to their social tariff. Other companies may choose to use other ways of determining eligibility. The Government will work closely with water industry representatives to ensure they have the information they need to develop social tariffs in consultation with their customers.

Warm Home Discount

96. The Department for Energy and Climate Change welcomes the views of respondents to the SSAC's consultation about the importance of providing support for energy bills for people on low incomes. For customers who are not entitled under the Pension Credit arrangements, the Warm Home Discount suppliers are required to use eligibility criteria to target a set amount of support at low income and vulnerable households. This applies in England, Scotland and Wales. The Office of the Gas and Electricity Markets (Ofgem) will approve the criteria used. All suppliers currently use a variety of state benefits, including those which lead to entitlement for Cold Weather Payments. In the future suppliers are likely to use eligibility criteria of certain levels of entitlement to Universal Credit to target support in the same manner and the scheme regulations will need to be updated to reflect this.
97. Within the Warm Home Discount scheme energy suppliers are able to choose to use state benefits as eligibility criteria for distributing support - providing these are targeted at low income vulnerable households. Energy suppliers are required to gain approval from Ofgem for their choice of eligibility criteria and the scheme regulations currently list a number of benefits. The Department for Energy and Climate Change is exploring how Universal Credit should be incorporated into this list to retain the focus on households which are both low income and vulnerable. This is work closely linked to that of the Department for Work and Pensions on new and revised eligibility criteria for the distribution of Cold Weather Payments. Changes to the Warm Home Discount scheme regulations will be made in time for the introduction of Universal Credit. Proposals will be approved by the Office of the Gas and Electricity Markets for use within the scheme.

98. The Coalition Government recognises the SSAC's concerns that allowing suppliers a degree of discretion in choosing eligibility criteria could add to the complexity of the scheme. However, to ensure claimants are given a fair deal, the Government has provided clear guidance that support must go to those who are on a low income and vulnerable. Allowing suppliers a degree of discretion provides for suppliers to target those of their customers most in need. It is also important that suppliers are not required to assist all those who meet their eligibility criteria (beyond the pensioners who are assisted through the core group). The level of spending on this scheme was capped in the last Spending Review and suppliers are required to meet spending obligations scaled according to their share of the domestic energy.

Cold Weather Payments

99. Cold Weather Payments are currently directed at those that are susceptible or vulnerable to the cold such as the elderly, the very young or disabled and who are receiving income related benefits, when periods of severe weather occur or are forecast.
100. As the SSAC notes, the design and operation of the Cold Weather Payment scheme is the responsibility of the Department for Work and Pensions supported by the Meteorological Office. The Meteorological Office's main role is to provide temperature data – both actual and forecast – on a daily basis during the winter season in order to determine if the payment criterion has occurred.
101. The current Cold Weather Payment system operates very effectively. Payments are made automatically, and the Department for Work and Pensions are able to react to severe and varied patterns of weather in local areas enabling the resources of the scheme to be targeted at those most in need. This is evident from the severe winter that occurred in 2010/11 where an estimated £490 million was made to 4.2 million eligible customers.
102. The Government notes the SSAC's comments in relation to transferring responsibility for Cold Weather Payments from the Department for Work and Pensions to the Department for Energy and Climate Change. Whilst there are clear links between the two schemes in relation to their contribution to the alleviation of fuel poverty, there would need to be a very clear rationale for such a transfer given the wholly automated administration of Cold Weather Payments. However, the Government recognises the need to tackle fuel poverty and will continue to work closely together across Departments to support this wider goal. One example of this is in relation to the Warm Home Discount scheme, under which the Government is using powers provided by the Pensions Act 2008 to lawfully undertake data matching with energy suppliers to identify customers eligible for the scheme.

103. The Government has a range of policies which act on the three drivers of fuel poverty to improve household incomes, improve household energy efficiency and provide support on energy prices.

Utility and Energy related benefits in Scotland

104. In Scotland, the current Energy Assistance Package will close to new applicants in 2013. Scottish Ministers are planning a successor scheme with the objective of tackling fuel poverty and climate change and improving domestic energy efficiency. They have asked the Fuel Poverty Forum to make recommendations on the successor scheme by Spring 2012. The Scottish Government will draw the attention of the Fuel Poverty Forum to the SSAC's report in order that it might inform its work.

Other Information

105. The report did not consider the localisation of Council Tax Support. However, as Council Tax Support policy is developed, the Department for Work and Pensions will work with the Department for Communities and Local Government, Her Majesty's Revenue and Customs and the Devolved Administrations to consider data sharing and IT requirements around the availability of information for local authorities to establish eligibility and generate awards. The Government will also provide guidance to ensure that local authorities understand how to design schemes that also support the work incentives objectives of Universal Credit.

Disabled Facilities Grant

106. The Disabled Facilities Grant is paid by local authorities in England to individuals for housing adaptations to enable independent living. Receipt of means-tested benefits is currently used as one way to demonstrate eligibility, although claimants may also be eligible in other circumstances. The Department for Communities and Local Government will review the criteria to be considered within Universal Credit to ensure people with disabilities can continue to receive support with adaptations.

BT Basic

107. The BT Basic tariff scheme provides discounts to those in receipt of Income Support, Income-based Jobseekers Allowance and Income-related Employment Support Allowance. It should be noted that the discounts are also applicable to mobile phone users. BT are currently considering their approach to Universal Credit and will put forward proposals that will be agreed with the Ofcom.

Conclusion

108. The Coalition Government recognises the opportunities, and the challenges, that Departments and the Devolved Administrations in Scotland and Wales face in reforming eligibility criteria for passported benefits in light of the introduction of Universal Credit. Whilst acknowledging the SSAC's view that significant effort will be required to meet these challenges, it is important to note that there has already been a considerable amount of work undertaken to prepare for the changes that will be needed. The Government and the Devolved Administrations are working to achieve the best deal in all areas and there has never before been so much co-ordination on this issue.
109. Clearly, it is essential that organisations consider the most effective way to target resources to the people who need the most support of particular passported benefits in order to deliver cost neutral solutions. The Government recognises that, in some cases, short term solutions may be required for the initial stages of Universal Credit in 2013. However, in the longer term, through the Universal Credit system there is scope to deliver more automated processes that utilise modern technology and deliver seamless services that preserve the policy objectives of passported benefits whilst supporting work incentives.



PASSPORTING TO THE FUTURE
THE SSAC REVIEW OF PASSPORTED BENEFITS

Passporting to the Future The SSAC Review of Passported Benefits

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Foreword

The basic formula that links the income of an individual or family to the provision of 'free' services or support by the Government is a simple one that has endured for over a century despite repeated attempts to reform and simplify the welfare system during that time.

Over time, however, this system of passported benefits has grown considerably in variety and complexity, from simply providing meals to children who were 'unable by reason of lack of food to take full advantage of the education provided for them' in 1906, to a position today that sees a plethora of inter-dependent passported benefits being administered by a variety of government departments, devolved administrations and by non-government organisations such as those who supply utilities. The complexity and cost of administering this nexus of arrangements has been brought into sharp relief with the impending introduction of a Universal Credit in 2013.

In the absence of an overarching coherent strategy for passported benefits, or satisfactory arrangements to oversee it, Lord Freud (Minister for Welfare Reform, DWP) invited the SSAC to lead a review of passported benefits and, in particular, to consider how they might interact with Universal Credit when it is introduced.

The Committee was pleased to receive this very different type of commission to its normal work, and to have the opportunity to inform the Government's thinking on passported benefits. This report sets out options for change and the guiding principles that we consider would serve the Government well in examining passported benefits within the Universal Credit regime. We have not made any specific recommendations or given formal advice, but have sought to highlight potential options for both the short and longer term. The impetus for change is increasing and the introduction of UC provides a unique opportunity to rethink passporting.

A considerable number of organisations and individuals have supported SSAC during this review, and I would like to record the Committee's grateful thanks to everyone who has contributed to our review activities during 2011. The Committee's particular thanks go to Professor Janet Walker (the Deputy Chair of SSAC) for leading this review so ably, and to Dr Nicola Moss, SSAC's Research and Policy Officer, who supported her in doing so. I should also thank officials from across Whitehall and from the Scottish Government, Northern Ireland Assembly and the Welsh Government for their generous support throughout the process.

Paul Gray
SSAC Chair
February 2012

Passporting to the Future

The SSAC Review of Passported Benefits

Executive Summary

1. Introduction to the Review

- 1.1 In May 2011 the Social Security Advisory Committee (SSAC) was commissioned by the Minister for Welfare Reform to undertake an independent review of the current system of passported benefits and to provide advice on the possible approaches to the provision of these benefits when Universal Credit (UC) is introduced in 2013. Such approaches should neither involve a net increase in expenditure nor compromise the key objectives of welfare reform: simplification of the benefits and tax credits systems and making work pay. The Committee agreed to put forward possible options for the future but to stop short of making specific recommendations as to the best way forward. This Commission was unprecedented: it enabled the SSAC to offer assistance at the formative stage of policy making, having gathered evidence from a wide range of sources.
- 1.2 The social security system in the UK is in the process of being overhauled. Central to the Government's reform agenda is the introduction of a single dynamic benefit for people of working age – Universal Credit – which will be withdrawn smoothly via a taper as people move into work or increase their earnings. The introduction of UC presents considerable challenges for other parts of the welfare system: under UC the current eligibility criteria for accessing passported benefits will no longer exist – simply migrating the current system is not an option and change is inevitable.
- 1.3 The SSAC defined passported benefits as those additional benefits to which working-age claimants on certain means-tested benefits and tax credits³ are automatically entitled. The main passported benefits are delivered as benefits-in-kind, or as cash benefits, or as discounts on charges. The review did not consider Housing Benefit, or Council Tax Benefit, and referred only briefly to benefits within the Social Fund. The review took account of the differences in the devolved administrations wherever possible.

³ Income Support, Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Child Tax Credit and Working Tax Credit.

2. Key Findings from the Review

The review found that:

- all passported benefits fulfil important needs, are highly valued by those who receive them, and make a significant contribution to:
 - children's health and wellbeing and their educational and emotional development
 - the health, wellbeing and quality of life for adults and families who are out of work or living on a low income
 - reducing child poverty, health inequalities and social exclusion
- benefits-in-kind are generally regarded as particularly beneficial in helping low-income families and there was little support from review respondents for cashing these up within UC
- there is no rigorous research evidence to show that the provision of passported benefits acts as a work disincentive: when people take decisions about moving into work or increasing working hours, they take a range of factors into account
- the loss of out-of-work passported benefits when people take a job can create an unhelpful cliff-edge and reduce the apparent gains to work
- as the number of passported benefits has increased, so to has the complexity in the system and greater simplicity and better coordination of passported benefits is essential: this should reduce administration costs, render passporting more effective and efficient, improve awareness, understanding and take-up, and ensure better targeting
- options for the future should not undermine the policy objectives of individual passported benefits, nor undermine the overarching principle that people should be better off in work than they are on benefits
- it is unlikely that one approach will suit all passported benefits in future, and more radical options will need further consideration and may require additional expenditure
- the constraint of cost-neutrality creates tensions which will need to be balanced

3. The Current System of Passported Benefits

- 3.1 We categorised passported benefits into four main groups: education; health; access to justice; and utilities.

Education-related benefits

- 3.2 The provision of free school meals to children throughout the UK whose parents are in receipt of a means-tested benefit drew the most responses during the review.
- 3.3 The evidence gathered indicates that the provision of school meals as a benefit-in-kind is critically important and highly valued by educationalists and families alike. The policy is designed to ensure that pupils are provided with a healthy, nutritious meal at school. Although there is a continuing increase in the proportion of children in state-maintained schools known to be eligible for and claiming school meals, the take-up is lower than would be expected. Moreover, there is still some stigma associated with taking free school meals. In future, the system for providing free school meals needs to be simple and easy to administer, so as to encourage better take-up.

Health-related benefits

- 3.4 We reviewed a range of health-related benefits including prescriptions, support for dental and optical treatment, and Healthy Start vouchers.
- 3.5 The evidence gathered indicates that health-related benefits designed to ensure that people on benefits or a low income are not deterred from monitoring their health, seeking medical advice and undergoing treatment, are highly valued. The lack of medical treatment makes it more likely that people who are unable to work because of ill-health will take longer to recover and their ability to work will be reduced. Moreover, visual impairment causes substantial social and human cost and is regularly quoted as a barrier to accessing employment.
- 3.6 Review respondents argued that access to healthcare should be provided free to all low-income families or, preferably, to everyone as it is in the devolved administrations.
- 3.7 There is considerable complexity in the system, particularly in England, and greater simplicity, transparency and a more joined-up approach are needed to enhance take-up.

Access to Justice Benefits

- 3.8 Evidence was obtained about three passported benefits: remission from court fees; legal aid provision; and the Assisted Prison Visits Scheme. The eligibility criteria for each vary both across and within benefits. Access to justice benefits are a devolved matter in Scotland and Northern Ireland.
- 3.9 Although these passported benefits may not be needed by all those eligible to receive them, they are extremely important for, and highly regarded by, those that do require this kind of support. The evidence gathered indicates that legal aid and court fee remission are deemed fundamental to social and legal justice and they are designed to enable access to court processes for people who cannot afford to pay, help people understand their legal obligations, protect their basic rights, get a fair hearing, sort out disputes, and solve problems related to social exclusion.
- 3.10 Simplicity is key in terms of application for and delivery of these benefits: they need to be flexible to meet the variable costs of support but different eligibility criteria can be complex and confusing for claimants.
- 3.11 The Assisted Prison Visits Scheme supports prisoners' families to maintain family ties, which can reduce the likelihood of re-offending and increase the likelihood of employment after release.

Utility-related benefits

- 3.12 Evidence was gathered about WaterSure (in England), Cold Weather Payments, the Warm Home Discount and a range of social tariffs. Assistance with utility costs is mainly provided by individual companies, and there is considerable variation in eligibility between schemes, adding to complexity and potential confusion for customers. Furthermore, there are variations between countries in the UK.
- 3.13 The evidence gathered indicates that utility-related benefits are vitally important to support the most vulnerable households: families living in cold homes, for example, are more likely to suffer physical and mental ill-health. There is a need to join-up provision across the various providers of utility-related benefits to co-ordinate eligibility and target more effectively.

4. Possible Ways Forward Under Universal Credit

- 4.1 One of the most important messages from the review of the current system of passporting, about which there is universal accord, is the opportunity afforded by the introduction of UC to greatly simplify it. There is unlikely to be one option which can be applied to all passported benefits under UC, however, and a mixed economy is inevitable, in the short term at least. This raises challenges for the overall simplicity that can be achieved. Nevertheless, there are clear opportunities to implement a more rational and better-integrated system, and a window of opportunity to work towards greater simplification in the arrangements for passporting during the UC transition period.
- 4.2 Review respondents identified a tension between three key factors: reducing complexity, making work pay while maintaining a range of policy objectives, and keeping costs neutral. One of the simplest solutions identified by review respondents would be to extend eligibility for passported benefits to everyone receiving UC. This option would not meet the constraint of cost-neutrality, even if administration costs were reduced as a result.
- 4.3 Any option for the future should:
- promote simplicity
 - avoid limiting eligibility in order to retain cost-neutrality
 - avoid cliff-edges
 - keep administrative costs to a minimum
 - make it as easy as possible to identify potential entitlement, make and process applications, and demonstrate and verify eligibility
 - consider how rapidly advancing technology might reduce administration costs and streamline processes for claimants and delivery agents
- 4.4 The main options to consider going forward for education and health passported benefits include cashing up some benefits (such as free school meals and health costs) within UC: there are a number of pros and cons to this approach but the majority view was that these benefits should remain as benefits-in-kind.

- 4.5 An alternative approach would be to impose income thresholds within UC, below which claimants are automatically entitled to receive certain passported benefits. This is relatively easy to communicate to claimants, it would achieve cost-neutrality, and it is relatively straightforward to deliver. It would, however, create a cliff-edge when the income threshold is reached and would impact on family budgets. To alleviate the cliff-edge it would be possible to:
- impose an earnings disregard
 - allow the benefit to run-on for a period of time after the cut-off point has been reached
 - withdraw the benefit in a stepped taper, but this would be more complex for claimants to understand and delivery agents to administer, create mini cliff-edges, and would not necessarily meet the educational policy objectives
- 4.6 A reduced earnings disregard approach would involve a cash value equal to the cost of a school meal, for example, being added to the gross UC award. In this option the Government would need to consider:
- the potential complexity for families
 - the optimum approach to transfer payments to avoid an administrative burden being placed on claimants
- 4.7 With regard to access to justice benefits, one option would be to define an income threshold within UC, below which eligibility for these benefits would be automatic; another option would be a separate means test.
- 4.8 In respect of the utility-related benefits, there are opportunities to develop a more coordinated approach if consent from claimants could be obtained to share relevant information on the UC data base with service providers. This would enable more effective targeting, avoid repeated means-testing, reduce administration costs, and increase take up. Since utility companies tend to offer a social tariff for a year, severe cliff-edges could be avoided when people move into work or as income increases.

5. Guiding Principles for the Future

5.1 Whatever options are chosen, a number of guiding principles have emerged from the review. These are considered within the context of the Government's key objectives for welfare reform – simplification and making work pay.

Simplification

5.2 A number of broad principles could assist in reducing complexity in the current system and, at the same time, reduce administration costs:

- providers of passported benefits should ensure that they work closely together to improve coordination and increase understanding of the impact of the design of passported benefits on the wider system of benefits and vice versa. As a minimum, this calls for greater sharing of data and information about claimants, subject to appropriate data protection safeguards
- policymakers should give careful consideration to joining-up and integrating passported benefits: for example, combining benefits that have similar objectives, such as ensuring people have warm homes
- providers of passported benefits should consider and question the best way to deliver passported benefits: whether those currently delivered as benefits-in-kind might be brought into the UC calculation in due course, for example
- consideration should be given to ways of ensuring greater coordination and oversight, so as to increase the potential for simplifying their delivery of in the longer term

5.3 A number of practical steps could be taken to promote a more joined-up approach to passporting:

- information sharing/data transfer to reduce the need for multiple applications and promote more effective targeting
- an agreed definition of income and agreement about the evidence required to validate claims
- carefully crafted, clear and unambiguous statements on the UC Notification simple to understand
- making efforts to avoid any stigma associated with accessing passported benefits, so as to ensure take-up by those who are eligible and improve targeting

Making work pay

- 5.4 A number of high-level principles should be taken into account when considering approaches to passporting that support the Government's goal of making work pay:
- designing passported benefits to ensure effective integration of the broader policy objectives relating to education, health, energy and social tariffs, and access to justice, with the policy objectives of welfare reform in general, and UC in particular
 - making decisions about whether and how to withdraw passported benefits as income rises which avoid cliff-edges and keep withdrawals simple and smooth
 - ensuring that new options for passported benefits should close current loopholes in eligibility which exclude some people on relatively low incomes from the support passported benefits can provide, and aim for greater fairness and predictability
 - monitoring the system of passporting when UC is introduced to assess the impacts on targeting and take up, on in-work income and on the employment behaviour of claimants
- 5.5 Some practical steps can be taken to promote the Government's objective of making work pay:
- reconsidering how passported benefits are explained, the language used and the messages given will be essential to the integration of passported benefits under UC
 - making the value of passported benefits transparent and clear to recipients could assist their understanding of the benefits system overall and of how UC calculations and payments are made
 - ensuring that all better-off in work calculations always include the putative value of passported benefits and give information about how they will be withdrawn
 - providing information about passported benefits in a joined-up coherent manner rather than as individual benefits with little connection to each other, including information about other options which can ease the loss of passported benefits at certain income thresholds

6. Concluding Comments

- 6.1 The SSAC review of passported benefits has exposed the complexity of and the lack of coordination in the current system. It may be that the Government's programme for welfare reform will provide the stimulus to rethink just how many benefits should be passported and consider just what could be achieved within UC itself. The opportunities to rethink passporting are considerable, but there are significant challenges involved in promoting greater simplicity within the current financial envelope. The timescale for implementing UC is ambitious, and discussions about how to manage passported benefits will almost certainly evolve during the transition period.
- 6.2 The tensions created by the constraints of cost-neutrality will have an impact on what can be achieved in the short term but should not stifle more creative thinking in the longer term.

Chapter 1 Introduction to the Review

The Commission

1. In May 2011 the Social Security Advisory Committee (SSAC) was commissioned by the Minister for Welfare Reform, Lord Freud, to undertake an independent review of the current passported benefits and to provide advice on possible approaches to the provision of these benefits when Universal Credit (UC) is introduced in 2013. This commission was, in many ways, an unprecedented request. Although the Committee has initiated reviews on a number of topics in recent years and produced a range of occasional papers offering independent advice to the Secretary of State, it had not received a request from Ministers to examine a specific policy issue until it was invited to review passported benefits last year.
2. The SSAC, a statutory committee established in 1980, has two key functions:
 - i) To provide advice and assistance to the Secretary of State for Work and Pensions, whether in response to a specific request or on its own initiative.
 - ii) To scrutinise secondary legislation, for the benefit of both the Secretary of State and Parliament.
3. In reality, the second of these functions – the scrutiny of regulations – has dominated the Committee’s routine workload. As part of this scrutiny, the Committee may ask for regulations to be formally referred. This usually involves conducting a public consultation, submitting a report to the Secretary of State setting out the SSAC’s comments and concerns about the proposed regulations and making recommendations as to whether and/or how they should proceed.
4. This commission has been a different kind of task for the Committee and has provided an opportunity for it to fulfil its advisory role in direct response to a specific request. The task has involved gathering evidence from a wide range of sources, synthesising that evidence and reporting on it, in order to provide a balanced and considered view which can inform policy discussions and decision-making going forward. It has not involved the Committee in making recommendations to Ministers but enabled it to offer assistance at the formative stage to Ministers in the DWP, other government departments and the devolved administrations, in respect of a topic which is of central importance within the Coalition Government’s welfare reform agenda.

5. This report presents the findings from the SSAC's review:
 - it examines the current system of passporting
 - it considers the challenges for the provision of similar levels of passported benefits in the future
 - it puts forward some options that might meet a range of policy objectives
 - it suggests some guiding principles as a foundation for decision-making about passported benefits under UC
6. In this first chapter we outline the terms of reference for the review; note the context within which the review was undertaken; define passported benefits; and describe the scope of and our approach to the review.
7. Chapter 2 looks in greater detail at the current system of passported benefits, illustrating the inherent complexity and the acknowledged problems associated with a system that is in need of reform.
8. Chapter 3 sets out a number of approaches which could be considered for the delivery of those benefits which are currently passported, many of which have been designed over the years to meet varying needs and differing policy objectives, in education and health for example, but which the Government is now expecting to support the overarching objectives of a radically new and simplified social security system.
9. Chapter 4 sets out a range of guiding principles which we believe can provide a robust framework to assist decision-making about the delivery of these benefits within the rubric of UC.

Terms of Reference for the review

10. The Terms of Reference for the review were developed in consultation with the Department for Work and Pensions (DWP), the Minister for Welfare Reform and the devolved administrations.⁴
11. The Terms of Reference originally anticipated that the SSAC would make recommendations about how passported benefits might be dealt with in future and consider the broad cost implications for other government departments and the devolved administrations. These expectations were subsequently revised in discussion with the DWP.

⁴ The full Terms of Reference can be found at Annexe 1.

12. The SSAC agreed to put forward possible options, drawn from evidence obtained, for the provision of existing passported benefits under UC, indicating any advantages and disadvantages of each option, but to stop short of making any specific recommendations as to the best way forward. The decisions taken by Ministers across government and the devolved administrations must take account of a range of policy objectives as well as political imperatives and priorities. We agreed, however, to highlight a number of principles which we believe should guide the thinking about the provision of additional benefits and provide a framework within which the Government can consider the most effective ways to meet its overall objectives for welfare reform, well in to the future.

Terms of Reference for SSAC's Review of Passported Benefits

Purpose: to analyse the current passported benefits in order to:

- classify the target audience(s)
- identify the needs which those benefits address, and the wider policy objectives served by them now and in the future
- identify and analyse the mechanisms that are currently employed to determine entitlement
- consider the potential impact of changes in eligibility rules
- assess the extent to which passported benefits influence employment decisions
- examine variations in the provision of passported benefits and the levels of complexity in accessing them
- consider how a more coherent approach to the delivery and withdrawal of passported benefits might be developed in order to maintain work incentives and ensure transparency and fairness in the benefit system
- consider whether there are other simpler alternative options that might mitigate any disincentives to work
- identify ways in which such benefits might be developed in future, ensuring that the replacement system is coherent, simple and removes disincentives to work
- consider ways to reduce costs

13. The SSAC was asked to take into account the Government's objectives that options for the future should neither involve a net increase in expenditure, nor compromise the drive for simplification in the benefits system which underpins the proposals for radical reform. Although the SSAC was asked to be mindful of the requirement that options should be cost-neutral, the Committee was not expected to undertake cost-benefit or cost-effectiveness analyses, nor to model the cost implications of new approaches for individual benefits. Such modelling is a matter for the government departments that have responsibility for passported benefits, and for the devolved administrations, having considered the evidence from the SSAC's review and weighed up the potential options. It has become clear from our work that this modelling and subsequent decision-making will need to handle a number of tensions and trade-offs between the various objectives and constraints involved in this complex subject area.

Rationale for the Review – 21st Century Welfare

14. Why was a review of passported benefits necessary? The social security system in the UK is in the process of being overhauled and passported benefits need to be reconsidered as part of the reform agenda. In July 2010, the Coalition Government laid out its ambitions to simplify the benefits system, end welfare dependency and improve incentives to work.⁵ The Green Paper highlighted the Government's analysis of weaknesses and anomalies in the current system which the Government believes encourage welfare dependency. It described the current system as consisting of a hugely complex set of independent benefits and tax credits which are delivered by numerous different agencies, and which is overly bureaucratic, acts as a barrier to work and traps people in poverty.
15. Responses to the Green Paper indicated general consensus with the view that the current system of benefits and tax credits is overly complex and in need of simplification, and that potential work disincentives should be removed.⁶

⁵ DWP (2010) *21st Century Welfare*, Cm. 7913.

⁶ DWP (2010) *Consultation Responses to 21st Century Welfare*, Cm. 7971.

Key Responses to the Government's Green Paper: 21st Century Welfare

Responses indicated:

- broad agreement about the need for fundamental reform of the benefits system
- overwhelming support for simplifying and streamlining the benefit structure and the delivery process
- a strong belief that people should be better off in work than on benefits
- agreement with the principles underpinning the proposal for a single, dynamic benefit that would support people in and out of work
- concerns about how the most vulnerable people will be protected, the availability of sustainable jobs, how housing costs might be met and the importance of promoting education, training and voluntary work as a beneficial first step into work

16. The Coalition Government subsequently developed its proposals for radical reform, putting forward its plans to introduce one universal benefit and greatly simplify the system.⁷ The Government expressed its commitment to make the welfare system fairer, more transparent, and more affordable, whilst continuing to support the most vulnerable in society. At the heart of the Government's reform agenda are the principles that people should be consistently better off in work than on welfare benefits, and that those able to work should be incentivised to do so.
17. The Government's proposals for radical reform of the benefits and tax credits systems were encapsulated in the Welfare Reform Bill 2011. Our review of passported benefits has taken place during the passage of this Bill through Parliament and against a backcloth of renewed media attention in the provision of social security benefits.

Universal Credit

18. Central to the Government's programme for achieving simplification, fairness and transparency in the benefits system is the introduction of a Universal Credit.⁸

⁷ DWP (2010) *Universal Credit: Welfare that works*, Cm. 7957.

⁸ *ibid*, p.13-14.

Universal Credit

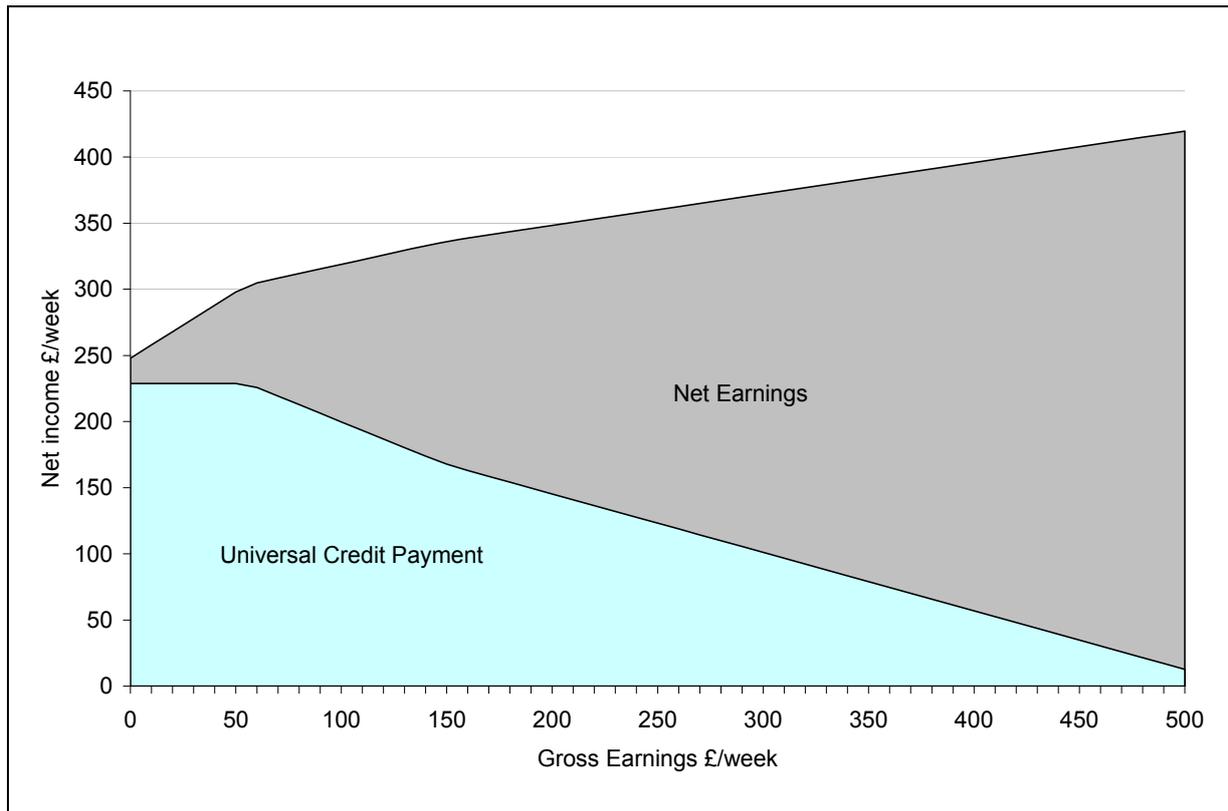
Universal Credit has been designed to:

- bring together different forms of income-related support and provide a single, integrated benefit for people of working age who are either out of work or in low-paid employment
- consist of a basic personal amount with additional elements for disability, housing, children, and caring responsibilities
- provide an additional element for childcare costs for those in work
- be withdrawn at a constant rate of 65 pence for each pound of net earnings as earnings rise, while higher earnings disregards will reinforce work incentives
- have a simple structure which is expected to:
 - provide a basic income for people out of work, covering a range of needs
 - make work pay as people move into and progress in work
 - help lift people out of poverty

19. The key mechanisms put forward by the Government for making work pay are a single taper to withdraw support as earnings rise and a new approach to earnings disregards. The taper is designed to ensure that support is reduced at a consistent and managed rate as people's earnings increase, thus avoiding potential cliff-edges in income when people lose benefits as a result of moving into work or increasing their earnings. Figure 1.1⁹ illustrates how the UC payment is expected to decrease smoothly as earnings rise.

⁹ Provided by the DWP UC Team.

Figure 1.1 Typical Universal Credit entitlement for a lone parent with one child



20. Universal Credit will replace most of the benefits and tax credits that currently provide means-tested support, except for Council Tax Benefit (CTB). It will not replace any non-means-tested or contributory benefits.

Universal Credit: A single integrated benefit

Universal Credit will replace the following benefits:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Housing Benefit
- Working Tax Credit
- Child Tax Credit

21. The Government expects UC to improve the take up of benefits and, thereby, tackle poverty. In addition, UC is designed to be simpler to understand and access than the current array of benefits; and, as a single integrated benefit, to do away with the need to claim separately for different benefits. The introduction of UC, however, presents considerable challenges for, and will involve changes in, other parts of the welfare system. This includes the range of passported benefits that are currently available, the loss of which can create a significant cliff-edge when people move into work, as we illustrate in the next chapter. Under UC, the current eligibility criteria for accessing passported benefits will no longer exist. Simply migrating the current system on to UC is not possible and not an option, therefore. Changes are inevitable. Hence the importance of this detailed review of passported benefits.

Understanding and Defining Passported Benefits

22. The concept of 'passporting' is not new. When responsibility for assisting tenants with their housing costs was passed to local authorities in 1983, those entitled to receive supplementary benefit from the Department of Health and Social Security qualified for a housing benefit. The term 'passported benefit' was subsequently applied more widely to other secondary benefits, the entitlement to which was established through the award of a primary benefit.
23. Before the term 'passported benefit' became commonplace, additional benefits were commonly known as 'fringe benefits', some of which actually had a higher monetary value than the primary benefit. Help with the provision of school meals, for example, dates back over one hundred years to Section 3 of the Education (Provision of Meals) Act 1906, which enabled local education authorities to obtain permission to provide meals to children who were 'unable by reason of lack of food to take full advantage of the education provided for them'. By 1945 the focus had turned from the situation of the child to the needs of the family when regulation 10 of the Provision of Milk and Meals Regulations 1945 gave power to local authorities to remit the cost of school meals if, 'in the opinion of the authority, a parent is unable without financial hardship to pay.'
24. Since these provisions required judgements to be made about levels of need, local education authorities wanted a test that would accurately assess the financial circumstances of a family. The obvious way to do this was to link entitlement to school meals to the receipt of a means-tested benefit. This solution provided for administrative simplicity and consistent application of regulations. However, these kinds of passporting rules have been applied over the years to an ever-increasing number of secondary benefits, so that today there is a plethora of benefits which are passported and the initial simplicity has given way to increased complexity not only for claimants and welfare rights advisers but also for government departments, local authorities and others who provide the wide range of secondary benefits. The current system of passported benefits has undoubtedly grown in an uncoordinated, piecemeal fashion to meet a range of specific policy objectives and it is not easy to understand or navigate.

Categorising passported benefits

25. For this review, we defined passported benefits as those additional benefits to which working-age claimants of certain means-tested benefits and tax credits are automatically entitled because they are in receipt of a primary benefit, such as Income Support (IS), Income-based Jobseeker's Allowance (JSA), Income-related Employment and Support Allowance (ESA), Child Tax Credit (CTC) and Working Tax Credit (WTC).
26. **Because UC applies only to claimants of working age, we have not included in the review any passported benefits that are available to those in receipt of state pensions and pension-related benefits. Moreover, our Terms of Reference did not require us to look at passported benefits that are currently linked to a disability benefit.**
27. The main passported benefits are delivered either as benefits-in-kind, cash benefits, or given as discounts on charges or fees. A full list of the passported benefits we have considered in our review is given in Annexe 2. It is easy to see from this list just how diverse and wide-ranging passported benefits are under the current system, and that the majority are administered by government departments other than the DWP. The primary benefits and tax credits administered by the DWP and Her Majesty's Revenue and Customs (HMRC), however, have provided useful hooks for departments responsible for education, health and justice, for example, to determine eligibility for the passported benefits they administer.
28. As the number of passported benefits has increased, so too has the complexity in the system. Eligibility criteria differ widely between benefits, and some act as passports themselves to yet more benefits. For example, eligibility for receiving school meals as a benefit-in-kind acts as a passport for the receipt of school clothing grants, travel costs and the delivery of the Pupil Premium.
29. Annexe 3 lists the main passported benefits, and provides information about the eligibility criteria for them.

Categorisation of passported benefits

Benefits-In-Kind

A benefit-in-kind is defined as provision of a good or service – without a cash payment being made to the recipient of the passported benefit – which is not transferable and cannot be reconverted into cash.

The main benefits-in-kind considered during the review are:

- school meals
- prescriptions and eye and dental care
- Healthy Start vouchers
- legal aid and exemption from court fees

Cash Benefits

Cash benefits are paid or reimbursed to eligible recipients and include:

- Cold Weather Payments
- help with travel costs (for school children, healthcare and prison-visiting)
- Sure Start maternity grants
- school clothing grants
- education grants

Discounts on Charges or Fees

A wide variety of discounts are passported, and these include:

- leisure activities
- transport schemes
- warm home and utility discounts
- BT Basic

Rethinking passporting

30. The welfare reform agenda and the introduction of UC as a single benefit provide an important opportunity to rethink passporting and reconsider how best to meet the needs of those benefit recipients that the passported benefits are targeted at and the needs of those living on low incomes. There are a number of challenges to be addressed, however.

Rethinking Passporting

The challenges include:

- the extent of passporting, and the wide range of payments and concessions
- the differing policy objectives associated with the various passported benefits
- variations in the administration of passported benefits
- the difficulties in ascertaining and verifying eligibility
- the extensive administrative systems for processing applications
- the different delivery mechanisms
- the complexity for claimants in understanding entitlement and ensuring they receive what they are entitled to
- the cost implications

31. The two common themes that run through the current system are, first, that the majority of passported benefits are generally targeted on broadly the same group of people, and second, that central and local government departments, the devolved administrations and the private sector, all use hooks within the current benefits and tax credits systems to define and flag up eligibility. But the sheer complexity of establishing eligibility, applying for passported benefits and negotiating delivery mechanisms is in danger of undermining the policy objectives underpinning many of the individual passported benefits and the benefits system as a whole, depressing take-up rates, and creating anomalies in provision. We examine these challenges and complexities further in Chapter 2.
32. The introduction of UC provides the perfect opportunity to look for a simpler, fairer and more transparent system to ensure that wide-ranging needs are met in the most effective and efficient manner. In our review, therefore, we have sought to understand the policy objectives and importance of the various passported benefits and to identify the balances to be struck between reducing complexity, maximising the financial benefit for those moving in to work and managing costs. We have also examined eligibility and entitlement, delivery mechanisms and the point at which passported benefits are withdrawn as income increases.

33. In order to make sense of the wide range of passported benefits we have grouped them into four main categories: education, health, access to justice, and utilities. This categorisation has helped us to envisage ways of simplifying the current system and to consider options for the future.

The Scope of the SSAC Review

34. Although the SSAC review initially focused on benefits-in-kind, specifically school meals and prescriptions, it became clear that the distinction between different modes of delivery is somewhat artificial and that local flexibility frequently blurs the boundaries. We therefore considered a wide range of benefits and delivery systems in our review, including cash benefits and discounts on charges. It is the main benefits-in-kind, however, that are perceived to pose the greatest challenge for the introduction of UC, so seeking options for the delivery of school meals and health benefits has been an important focus during the review.
35. While some passported benefits are currently available to a wider range of people than those on means-tested benefits, we have focused our attention on the possible approaches to those benefits that are currently made available via existing means-tested benefits because, under UC, those means tests will no longer be available. Universal Credit is an integrated benefit and the current distinctions between out-of-work and in-work benefits will disappear. The eligibility criteria for passported benefits can no longer be linked simply to the receipt of a particular kind of benefit, so the status quo cannot be sustained.
36. A wide range of non-state bodies also base their eligibility criteria on current means-tested benefits, such as the availability of concessionary rates at local cinemas. The introduction of UC will require considerable change to the way in which these often locally determined additional benefits are handled, presenting a communication challenge for the DWP and other government departments in order to ensure that such benefits are not simply discontinued. The disappearance of these locally-determined passported benefits could have serious consequences because of their importance in promoting involvement in civic life and local activities.
37. Currently, means-tested benefits also act as a passport to Housing Benefit and Council Tax Benefit. We were not asked to look at the implications for Housing Benefit because a housing element is included in UC. Council Tax Benefit will be localised from 2013-14: local authorities in England will be required to run local council tax reduction schemes; and Scotland and Wales will bring forward their own proposals. Council Tax does not exist in Northern Ireland.

38. In England the Government's response to the consultation on localisation set out that the eligibility criteria and allowances for pensioners will be prescribed nationally and local authorities failing to implement a scheme to meet the 2013 deadline will be required to operate a default scheme, which the Government has proposed should retain the criteria and allowances currently in place for Council Tax Benefit. We have not considered this reform in the review.
39. The review did not consider the impact of Universal Credit in relation to Social Fund payments where reform is currently underway. The Social Fund includes Funeral Payments, Sure Start Maternity Grants, Crisis Loans, Budgeting Loans, Community Care Grants and Cold Weather Payments. Although the Social Fund is not a passported benefit in a strict sense, part of the eligibility test for receipt of a Cold Weather Payment, Funeral Payment and Sure Start Maternity Grant is that a person must be in receipt of a qualifying benefit. We refer briefly to these benefits, however, in Chapters 2 and 3.
40. In summary, we focused our attention on means-tested benefits, particularly those currently administered as benefits-in-kind, in order to examine how the existing passported benefits available to benefit recipients of working age, both those in and those out of work, can be managed under UC.

The Devolved Administrations

41. We have been mindful during the review that across the devolved administrations there are political and contextual sensitivities relating to the welfare reform agenda. Whilst social security is not a devolved matter except in Northern Ireland, most of the other areas of government involved in the provision of passported benefits are devolved (for example, health, education, and transport). In some cases there are already clear differences between England, Scotland, Wales and Northern Ireland (for example, in respect of the criteria for free school meals and the provision of prescriptions). The most obvious distinction is that prescriptions are free in each of the three devolved administrations but not in England. In many cases, however, although the devolved administrations are free to determine their own policies they choose to mirror the situation in England, primarily for financial reasons and for simplicity.
42. In this report we have sought to provide overall guiding principles and high-level discussion regarding potential options for the future; it was not within our remit to make specific recommendations to government departments and devolved administrations. We anticipate that they will be able to reflect on the findings of the review and apply them to the design of passported benefits under UC, in the light of their own expertise, contextual knowledge and policy objectives.

43. We have reviewed the consultation responses received from representatives in the devolved administrations and discussed possible approaches with officials from Scotland, Wales and Northern Ireland. Although officials highlighted differences between the administrations, none flagged up major issues that would lead us to conclude that the options we discuss in the report could not be considered.
44. Clearly, each of the devolved administrations will have different priorities, legislative requirements, financial challenges and views about Universal Credit, which may lead to differences in the final decisions taken. For example, the Law Centre (NI) told us that “Northern Ireland presents particular circumstances with regards to welfare reform ... After London, Northern Ireland will be the hardest hit by the tax and benefit cuts announced and to be implemented under the [Welfare Reform] Bill”. The Law Centre (NI) go onto suggest that this is a result of the higher numbers of people in Northern Ireland in receipt of Disability Living Allowance and the greater proportion of larger families, two groups who will be especially impacted by the cuts. Child poverty is also more severe in Northern Ireland: the rate for persistent child poverty is more than double the rate in Great Britain.¹⁰
45. We believe that the options discussed in Chapter 3 are flexible enough to apply to the devolved administrations as appropriate, although if each of the administrations takes a different approach then these differences could add to overall complexity, particularly for claimants in border areas, and raise questions about benefit integrity. We recognise that some of the approaches may also be more politically sensitive than others, for example the potential financial transfers involved in a cashed-up system under UC.
46. We note that each of the devolved administrations is taking advantage of having a smaller central administration than England, which may enable them to simplify passported benefits through a more joined-up approach than might be possible in England in the immediate future. The smaller scale has also allowed the devolved administrations to think more flexibly now about how passporting should work in the future in order to provide a more comprehensive, holistic package of support.

¹⁰ Monteith, M., Lloyd, K. and McKee, P. (2008) *Persistent Child Poverty in Northern Ireland*, Save The Children, ARK and ESRC.

The SSAC's Approach to the Review

47. We were keen to seek as wide a range of views as possible about the current system of passported benefits and to gather suggestions for ways in which these benefits might be dealt with under UC. It was never our intention to conduct rigorous empirical research and instead we endeavoured to involve people in receipt of passported benefits, agencies working with benefit claimants, government departments, local authorities and the devolved administrations in the kind of debate and discussion which would enable us to put forward options for the future. Annexe 4 provides fuller details of our approach to the review and lists those who took part in our various review activities.

Review Activities

During the course of the review the SSAC obtained data from:

- a public consultation which elicited over 60 responses, many of which were extremely detailed and included proposals for future approaches to passported benefits under UC
- a consultation targeted at academics, specifically designed to identify relevant research
- discussions with government departments, the devolved administrations, local authorities and public and private sector companies involved in administering passported benefits
- qualitative focus groups with Citizens Advice Advisers around the UK
- a small number of focus groups and interviews with benefit recipients, in association with the DWP Insight Team
- a Stakeholder Seminar attended by officials from the DWP and other government departments, the devolved administrations, local authorities, energy and utility companies, and a wide range of representatives from the charitable and welfare advice sectors
- meetings with a senior stakeholder group consisting of officials from across government and the devolved administrations
- discussions with officials and others developing systems for the implementation of UC
- desk-based research

48. Throughout the review, we received updated information from the DWP Universal Credit team to ensure that we kept abreast of developments during the passage of the Welfare Reform Bill and the work being undertaken to develop a Real Time Information System to administer UC from 2013 onwards.

49. In the following chapters, we draw heavily from the responses and information we received. It is worth noting that our desk-based research revealed a paucity of research data relating to passporting, and demonstrated that benefits systems in other countries have largely avoided the establishment of a complex system of passported benefits. Annexe 5 briefly summarises the main approaches taken in other countries to the provision of benefits in three of our main categories. It can be seen that school meal costs, for example, tend to be state subsidised, either in whole (Sweden) or in part (France), and health benefits are commonly provided via a compulsory insurance system (France) or partially passported (New Zealand). Energy costs are partially passported in some countries but, generally, there is little help provided directly for energy/utility costs.
50. We concluded that the UK system of passporting is not mirrored in other countries, where passported benefits play a far less significant role in the benefits system, the levels of benefit payments tend to be higher and social insurance systems are in place.

Messages from previous research

51. Before examining the current system in more depth, we extracted the key messages from previous research relating to passported benefits, although there is relatively little of it. Passported benefits are referred to in a number of studies, but rarely have they been the central focus.
52. A study about housing costs, housing benefits and work disincentives, for example, had as its main focus how people approach decision making about whether or not to take a particular job. It showed that people approached this decision in one of three ways: the smallest group undertook a more or less precise better-off calculation, although they did not often factor in passported benefits; the second group formed an overall view of whether or not they would be better off; and the third group made no calculations at all. The first two groups frequently over-rode their better-off calculations, partly because they had a strong attachment to the labour market and partly because they thought that any job was better than none, because it made it easier to move into a better paid job.¹¹

¹¹ Kempson, E. and Ford, J. (1996) '*Housing costs, housing benefits and work disincentives*', JRF. See <http://www.jrf.org.uk/publications/housing-costs-housing-benefits-and-work-disincentives>.

Key Messages from Research

The key messages from other research relevant to our review are that:

- a substantial proportion of people do not make decisions about whether to take work or remain on benefits on purely economic grounds – other social and attitudinal factors are important
- worry about the financial implications of returning to work is common among people on out-of-work benefits, and the complexity of the tax and benefits systems means that people do not always understand whether they would be better off in work
- income from benefits can be seen as more predictable than income from work
- passported benefits are regarded as positive aspects of a complex benefits system
- there is a lack of information for claimants about entitlement to passported benefits and many are confused about the detail
- many people do not appreciate that the receipt of passported benefits is closely linked to receipt of out-of-work benefits, and it is only when they take up work and lose the passported benefits that they realise this

53. Other studies have considered the complexity of the benefit system and shown that many low-income families struggle to negotiate it successfully.¹² Nevertheless, while benefit recipients often depend on passported benefits to provide a set amount of income over and above the primary benefit,¹³ the combined effects of overlapping means-tested benefits have the potential to create disincentives to work.¹⁴ We look at these issues in more detail in the context of our review, in Chapter 2.

¹² Hooper, C. A., Gorin, S., Cabral, C. and Dyson, C. (2007) *Living with hardship 24/7: The diverse experiences of families in poverty in England*, NSPCC/The Frank Buttle Trust.

¹³ Single Parent Action Network (SPAN) (2007) *Proofed for Parents by Parents (Participatory One Parent Proofing: Findings)*.

¹⁴ Adam, S. and Browne, J. (2010) *Redistribution, work incentives and 30 years of UK tax and benefit reform*, Institute of Fiscal Studies.

Chapter 2 Understanding the Current System of Passported Benefits

Introduction

1. As we indicated in Chapter 1, there are many passported benefits within the current welfare system, creating a complex mosaic of overlapping and inter-relating secondary benefits which target diverse but complementary needs. These are delivered by a number of government departments and other bodies. As an initial step in our review we consulted widely about how well the current system works, the value placed on passported benefits and the extent to which they are meeting their policy objectives.
2. In order to simplify the long list of passported benefits we identified for our review (see Annexes 2 and 3) we found it helpful to categorise passported benefits into four main groups. This enabled us to focus on the key benefits in each group – the benefits considered by our review respondents as the ones which are critically important within the current benefits system. So, for example, in education the provision of school meals as a benefit-in-kind is regarded as being of primary importance. Although some respondents, particularly advice sector agencies, referred to a wide range of passported benefits in their responses, many focused their attention on one or two specific passported benefits, with school meals and prescriptions drawing the most responses.
3. We received far fewer responses in respect of benefits relating to access to justice than we did for those relating to education and health. There may be two explanations for this: first, legal aid, exemptions from court fees and help with prison visiting do not impact on the everyday lives of as many people as education and health benefits routinely do; and, second, proposals for far-reaching changes in legal aid were dominating the agenda across the UK at the time we launched the consultation about passported benefits and our potential respondents may well have been focusing their attention on those. This does not mean that benefits relating to access to justice are any less important to those who access them, nor that they are any less valued. The evidence from the review indicates that each of the passported benefits is of great value to the people who need it, when they need it.
4. We did not receive large numbers of responses about utility-related benefits which normally use discounts or social tariffs to support low-income households. It is possible that these benefits are not always recognised as being passported. Moreover, the SSAC's stakeholder group currently does not routinely include the utility and other commercial companies.

Main Categories of Passported Benefits

1. Education-related benefits:

- school meals, clothing grants, travel/transport costs, Pupil Premium, adult learning services, early education for disadvantaged 2-year-olds (from 2013), the vulnerable group element of the 16-19 Bursary Fund

2. Health-related benefits:

- prescriptions, sight tests and optical vouchers, dental treatment, wigs and fabric supports and travel, when referred by a doctor or dentist, Sure Start Maternity Grants and Healthy Start vouchers

3. Access to Justice benefits:

- legal aid, exemption from court fees, help with prison visiting

4. Utility-related benefits:

- Cold Weather Payments (via the Social Fund), Warm Home Discount, WaterSure, social tariffs, BT Basic

5. Many passported benefits indicate potential eligibility for the receipt of other benefits, such as providing assistance with transport costs/bus discounts or promoting access to leisure activities. While these are clearly important benefits in their own right, respondents tended to refer to them only within the context of the main passported benefits in each of our categories. Although we have not discussed separately the passported benefits that were mentioned less often by respondents, it could be argued that they are extremely important in their own right in terms of promoting better health and/or better education outcomes and in encouraging people to play an active part in their local communities. It is likely, however, that many of these benefits will continue to be decided and administered locally and may have less of an impact on the implementation of UC.

6. In this chapter we:

- delineate a number of universal themes, identified by the majority of respondents, in respect of passported benefits as a whole
- present the evidence derived from respondents to our review about passported benefits as they are currently designed, using our four categories to consider the main benefits in some detail
- highlight the various policy objectives they have been designed to address; assess the advantages and disadvantages which have been identified in the current system
- draw out the lessons to be considered when developing options for the future

Characteristics of the Current System

7. Respondents to our consultation identified a number of common characteristics in the current system of passported benefits. These characteristics provide strong evidence that the system is far from perfect and that the introduction of UC provides an opportunity to make substantial improvements.

Common Characteristics of Passported Benefits

1. The system of passported benefits is complex to understand, establish entitlement, and administer.
2. There is a lack of consistency in terms of entitlement, resulting in low take-up of some passported benefits.
3. Serious anomalies in provision result in eligibility not being wide enough to include everyone defined as living in poverty or as being vulnerable.
4. The stigma associated with accessing passported benefits can result in under-claiming.
5. There is a general lack of information about passported benefits and no specific front-facing service to offer advice and provide support to claimants.
6. Current eligibility rules have a serious negative impact on how much work pays and those moving in to work from out-of-work benefits can experience a cliff-edge in income when entitlement to passported benefits is lost.

8. The difficulties within the current system were emphasised also during our interviews and a focus group with benefit claimants. Comments, such as the following from those we interviewed, support the views put forward in the consultation responses:

I would say that there are a lot of people who probably don't know ... whether they qualify for [passported benefits] or not.

People think they are better off on benefits as they don't have to worry.

If I upped my hours any more then we would lose some of the stuff [passported benefits] we are getting now ... it's not worth it ... I can't afford, basically, to work any more hours ...

Making work pay

9. The impact of losing passported benefits when moving off benefits and into work is regarded by the Government as one of the most serious problems within the present system. As we noted in Chapter 1, there is limited evidence on the impact of passported benefits on claimants' decisions regarding employment. It is clear, however, that passported benefits impact significantly on the amount by which people moving from benefits into work are better off. Evidence from research with lone parents suggests that some parents had found that they were not significantly better off in work due to the additional costs of prescriptions, dental treatment and school meals which were not covered once passported benefits were withdrawn.¹⁵ While the loss of passported benefits did not prevent the majority of lone parents from wanting to move off benefits and get into work, many were concerned that they might not be financially better off, even though they took jobs and remained in work. It was not within the scope of this review to provide a full analysis of the multiple factors which impact on claimants' decisions to move from benefits into work.
10. A key concern noted by review respondents is that better-off calculations undertaken by Jobcentre Plus staff do not always take the loss of passported benefits into account, so that parents unexpectedly face extra expenditure when they move into work.¹⁶ The Committee views this as something to be redressed whatever policy options are adopted. The removal of these kinds of potential work disincentive is central to the Government's ambition that a reformed welfare system must ensure that people are better off in work than on benefits.
11. The following two examples illustrate the potential problems created for two hypothetical families in England when they move into work which barely compensates for the loss of passported benefits.¹⁷ We have based our calculations on the average value of a school meal and clothing grants. The average school meal cost is currently £1.88 per day in LA catered primary schools and £1.98 per day in LA catered secondary schools, although there are significant variations within and between regions: some meals cost up to £2.50 per day. Schools and local authorities are not required to provide milk but where they choose to do so it must be provided free of charge to those pupils eligible for free school meals.¹⁸

¹⁵ Gloster, R., Casebourne, J., Culshaw, S., Mavra, L., O'Donnell, A. and Purvis, A. (2010) '*Lone Parent Obligations: early findings of implementation as well as experiences of the Income Support and JobSeeker's Regimes*', DWP Report 645.

¹⁶ Casebourne, J., Davies, M., Foster, S., Lane, P., Purvis, A. and Whitehurst, D. (2010) '*Lone Parent Obligations: destinations of lone parents after Income Support eligibility ends*', DWP Report 710; Sims, L., Casebourne, J., Bell, L. and Davies, M. (2010) '*Supporting lone parents' journey off benefits and into work: a qualitative evaluation of the role of In Work Credit*', DWP Report 712.

¹⁷ Under current WTC rules.

¹⁸ The illustrative examples were prepared for the SSAC by the DWP, using the DWP Tax and Benefit Hypothetical Household Model. Tax, benefit and National Minimum Wage rate are based on the actual rate for 2011/12. The figures for the passported benefit are based on the current threshold and levels that support (2011/12), and the free school meals calculations are based on their average value in 2011/12. The model was designed to illustrate the impact of various tax, National Insurance, benefits and tax credits on different household types.

12. The examples almost certainly represent worst case scenarios. If the parents in these two cases worked for more hours or were earning above the National Minimum Wage, the impacts of losing passported benefits would not be as great.

Miss Smith – illustrative example

Miss Smith is a lone parent living in England with two children aged 11 and 6. She is out of work and claims Income Support from Jobcentre Plus, Housing Benefit and Council Tax Benefit from the local authority and Child Tax Credit and Child Benefit from HMRC. She also receives a range of passported benefits.

Miss Smith's out of work income from primary benefits is **£304.70** but, as Table 2.1 indicates, she receives passported benefits to the weekly 'cash' value of **£42.57**. Miss Smith's children receive school meals for 38 weeks a year; a one-off school clothing grant was payable when the eldest child moved to secondary school (**£100** in vouchers), average value of **£20** per year; there is help for the cost of residential school trips; and the youngest child receives free school milk. Miss Smith has two prescription items per month for depression and she does not pay for this while she is out of work. She has two dental checks each year, and regular eye checks because she is short-sighted and needs to wear glasses. This gives Miss Smith a total weekly income of the equivalent of **£347.27** once the value of her passported benefits are calculated and averaged across the year.

Miss Smith then takes a part-time job at the National Minimum Wage (NMW) of £6.08 per hour. Her weekly income from work and primary benefits increases from **£304.70** to **£384.60** per week. The gains to work would appear to be **£79.90** per week. However, Miss Smith loses most of her passported benefits at one go, reducing her gains to work to just **£43.06** per week.

13. When Miss Smith takes a part-time job her children are no longer eligible for school meals or a clothing grant as she is in receipt of Working Tax Credit; she cannot get help with residential school trips as she no longer receives eligible benefits or school meals. There is no entitlement to milk for the youngest child; Miss Smith is no longer eligible for half price bus fares; nor is she eligible for discounts on her BT telephone line. She does however still qualify for free prescriptions, eye care and dental treatment as her income for tax credit purposes is below the threshold for withdrawal. Table 2.1 illustrates the cliff-edge Miss Smith faces.
14. It is important to note that not all children receiving free school meals receive a clothing grant, school milk and help with school trips. Two thirds of local authorities in England top up the cost of school milk, but do not necessarily provide it to all schools or all age groups.

Table 2.1 Miss Smith's weekly income on benefits and in part-time work

Income from work and benefits	Out of work value £ per week	In part-time work value £ per week
Gross Income from work	0.00	97.30
Income Support	67.50	0.00
Housing Benefit	80.00	61.60
Council Tax Benefit	15.00	9.30
Child Tax Credit	108.50	108.50
Working Tax Credit	0.00	74.20
Child Benefit	33.70	33.70
Total	304.70	384.60
Passported benefits		
School meals/term time youngest child	9.40	0.00
School meals/term time eldest child	9.90	0.00
School clothing grant averaged over five years	0.53	0.00
Help with school trips (residential)	1.97	0.00
School milk	0.69	0.00
Prescriptions	3.70	3.70
Dental care	0.65	0.65
Eye care and spectacles	1.38	1.38
TfL ¹⁹ bus and tram discount	13.00	0.00
BT Basic subsidised phone line	1.35	0.00
Total cash value of Passported benefits	42.57	5.73
Total Income	347.27	390.33

¹⁹ Transport for London Bus and Tram discount enables eligible claimants to pay half the adult Oyster fare on buses and trams when using 'pay as you go'.

Mr and Mrs Jones – illustrative example

Mr and Mrs Jones are both out of work and have three children, aged 11, 5 and 2. They claim Income-based Jobseeker's Allowance from Jobcentre Plus, Housing Benefit and Council Tax Benefit from the local authority, and Child Tax Credit and Child Benefit from HMRC. They also receive a range of passported benefits.

Mr and Mrs Jones live in Tameside Metropolitan Borough and receive £25 a year in vouchers for school clothing for their 5 year old child and £40 a year in vouchers for their 11 year old. Mrs Jones receives Healthy Start Vouchers for their 2 year old and a reduction on piano lessons for their eldest child. The parents receive eye and dental care without cost and a discount on their telephone via BT Basic. The couple have applied for and been given a Warm Home Discount by their energy supplier because they have been identified as being on a low income and as vulnerable because they have young children. They also qualify for a discount on their water bill, as they are regarded as a 'vulnerable household'.

The Jones' weekly income is **£405.60** from primary benefits and they are claiming Passported benefits to an additional cash value of **£40.91** per week. This gives them a total income of **£446.51** per week while they are both out of work.

Mr Jones finds a job working 24 hours a week at the National Minimum Wage. His gains to work would appear to be **£78.50**, but as he and his wife lose most of the passported benefits they were claiming, their gains to work are just **£40.32** per week.

15. As Table 2.2 indicates, Mr and Mrs Jones also face a cliff-edge when one of them moves into work.²⁰ The Jones family lose the education benefits because they are receiving Working Tax Credit, and most of the other passported benefits because of Mr Jones' move into part-time work. They do however retain support for dental and optical treatment as their income for tax credit purposes is below the threshold for withdrawal. The passported benefits which are withdrawn were designed to support the children's education and the family's overall health and wellbeing, but these now have to be provided from Mr Jones' income. Moving into work has also resulted in reductions in the Jones' Housing Benefit, Council Tax Benefit and Child Tax Credit.
16. It is clear from these two hypothetical examples that under the current system the Jones family stand to gain even less than Miss Smith by moving into work at the minimum wage. Moreover, these illustrative examples do not include any passported benefits that might be offered locally, such as leisure activities that Miss Smith and Mr and Mrs Jones might have been eligible for but were not taking up while they were out of work. Had they been taking advantage of these, the gains to work would have been further reduced. Although Mr and Mrs Jones and Miss Smith are financially better off in work, they may well feel that the gains are rather small.

²⁰ Under current WTC rules.

17. Review respondents suggested that families may not know the financial value of their passported benefits until they are no longer eligible to receive them: parents may need to bring in a significant income from work in order to make up for the cash they need to find to pay for school meals, journeys to and from school, utilities and costs associated with work.

Table 2.2 The Jones' weekly income on benefits and in part-time work

Income from work and benefits	Out of work value £ per week	In part-time work value £ per week
Gross Income	0.00	145.90
Jobseekers Allowance	106.00	0.00
Housing Benefit	80.00	60.60
Council Tax Benefit	15.00	9.00
Child Tax Credit	175.50	157.50
Working Tax Credit	0.00	65.30
Child Benefit	47.10	47.10
Tax and NI contributions	0.00	- 1.30
Total	405.60	484.10
Passported benefits		
School meals for 5-year-old	9.40	0.00
School meals for 11-year-old	9.90	0.00
School clothing grant	1.71	0.00
School milk for 5-year-old	0.69	0.00
Health Start vouchers	3.10	0.00
Help with music lessons for eldest child	2.90	0.00
Dental care	1.35	1.35
Eyecare and spectacles	1.38	1.38
Warm Home Discount	2.50	0.00
WaterSure	6.63	0.00
BT Basic subsidised phone line	1.35	0.00
Total cash value of Passported benefits	40.91	2.73
Total Income	446.51	486.83

18. During our consultation, views about the strength of the work disincentive effect were somewhat mixed. A substantial number of respondents regarded the potential loss of passported benefits as an important consideration for people looking to move into work, particularly if the work is part-time or low paid. They noted, however, that people do not always realise that passported benefits will be lost, or have not calculated the financial value of the loss, until they are actually in work: consequently their loss does not appear to have a negative impact on work incentives. The loss of passported benefits could impact on decisions to stay in work if the financial gains are regarded as minimal, although people may elect to take a financial hit to retain the other non-financial benefits associated with being in work.
19. A smaller number of respondents suggested that other more significant factors influence decisions about moving into or staying in work. These include housing support and the availability and affordability of appropriate childcare. The CAB advisers in our focus groups had not come across an example of a client who had rejected work specifically because of the loss of passported benefits, but the loss might be factored in to the overall equation about being better off in work. The loss of certain passported benefits might be a marginal consideration for some people rather than a central issue. Under the current Jobseeker's Allowance regime the effect on income and outgoings of taking a particular job is specifically excluded from the range of 'good cause' for failure to take up a job opportunity.
20. Discussions with a small number of benefit recipients tended to support the view of advice agencies that people do not necessarily make a distinction between what they receive as income from their primary benefits and what they receive via passporting. Respondents to the review told us that some people tend to make a mental list of the financial and other support available to them, with little overall awareness of the different categories of benefits and the different delivery routes. So, if they do some kind of mental calculation about income, Income Support, Council Tax Benefit and Housing Benefit are seen as the high value items and it is these benefits rather than passported benefits which have the most immediate influence on decisions about whether or not it is worth getting a job.
21. Nevertheless, some benefit recipients we spoke to who were working part-time admitted that they had chosen not to work more than 15 hours a week so as to keep their benefits. Others who had increased their hours a little more reported that they faced a financial struggle and it had hardly seemed worth the effort of increasing their working hours, particularly when certain routine healthcare, such as dental charges had begun to cost money.

When you have to pay full [costs] for the dentist then you don't [go]. You will just put it off and say it will be alright with paracetamol.

[Focus group participant]

22. This view accords with the views expressed by the dental and optical bodies who responded to our consultation, who were concerned that people would not seek routine dental and eye checks if they had to pay for them. The CAB advisers noted that low financial gains from work, when considered alongside the additional demands of juggling work and family life, the loss of quality time with children and the need to make childcare arrangements, may influence parents not to work, or to give up working if it is perceived as being 'not worth it'. Moreover, the advisers commented that the security of having regular benefits may trump any potential gains from work for low-income families who fear the insecurity of losing their primary and their passported benefits: fear of the unknown drives people's behaviour and people value certainty and fear fluctuations in income.
23. The overall balance of the limited research and the impressionistic evidence on the extent to which withdrawal of benefits impacts on decisions to move into work is unclear. However, it is clear from the illustrative examples above that, for those returning to work at or close to the minimum wage, the withdrawal of passported benefits can further reduce the extent to which work pays.

Assessing the Value of Passported Benefits

24. While consultation respondents highlighted the extent of cliff-edge effects when moving into work and considerable complexities associated with passported benefits, they were also adamant that these benefits should not simply disappear with the introduction of UC. In their view, passported benefits are highly valued by benefit recipients, particularly those benefits that are received in kind, such as school meals and prescriptions. Benefits-in-kind can be obtained without any financial cost to the recipients: they are 'free' at the point of delivery; the use of passporting avoids the need for several separate means tests to be completed; and benefits can be tailored to local circumstances with no penalty for the claimants.
25. We considered whether it might be possible to create a hierarchy of passported benefits to discern those which are considered the most important. It quickly became clear from analysis of the evidence that this would not be helpful even though some passported benefits have a higher profile than others. Different people have different needs at different times and value different combinations of benefits, depending on their circumstances. Thus, for example, parents with dependent children told us about the value of education benefits.

The Perceived Value and Importance of Passporting benefits

The evidence we received indicates that:

- passported benefits fulfil important individual needs and tackle wider social issues, including health inequalities and child poverty
- passported benefits are perceived to be essential for people on low incomes, particularly when they contribute significantly to the family budget
- while passported benefits can have a significant impact on the quality of life for some families, some benefits are more highly valued by parents than others, such as those which support children's educational and social development and promote better health outcomes
- the provision of passported benefits reduces the costs to other parts of the social welfare system – contributing to healthier and more stable family relationships, reducing ill-health, encouraging participation, reducing offending
- benefits-in-kind play a very important role in helping low-income families access necessities such as food and health products

26. A number of respondents illustrated these points.

Different passported benefits are of different value to different households. For families with two or more school age children, free school meals have the highest monetary value and play a very important role in ensuring children have access to a hot, healthy meal each day.

Access to health costs is vital for people with poor health or who need dental treatment ... some other benefits-in-kind may not be of critical value to an individual or family in the long-term, but can be of prime importance at a particular point in time – such as when they need access to legal aid for a benefit, housing or education issue ...

[Citizens Advice, Consultation Response, July 2011]

The various passported benefits affect people's lives in different positive ways. Those around education promote better outcomes for children in the long-term, and other passported benefits provide vital support in times of crisis.

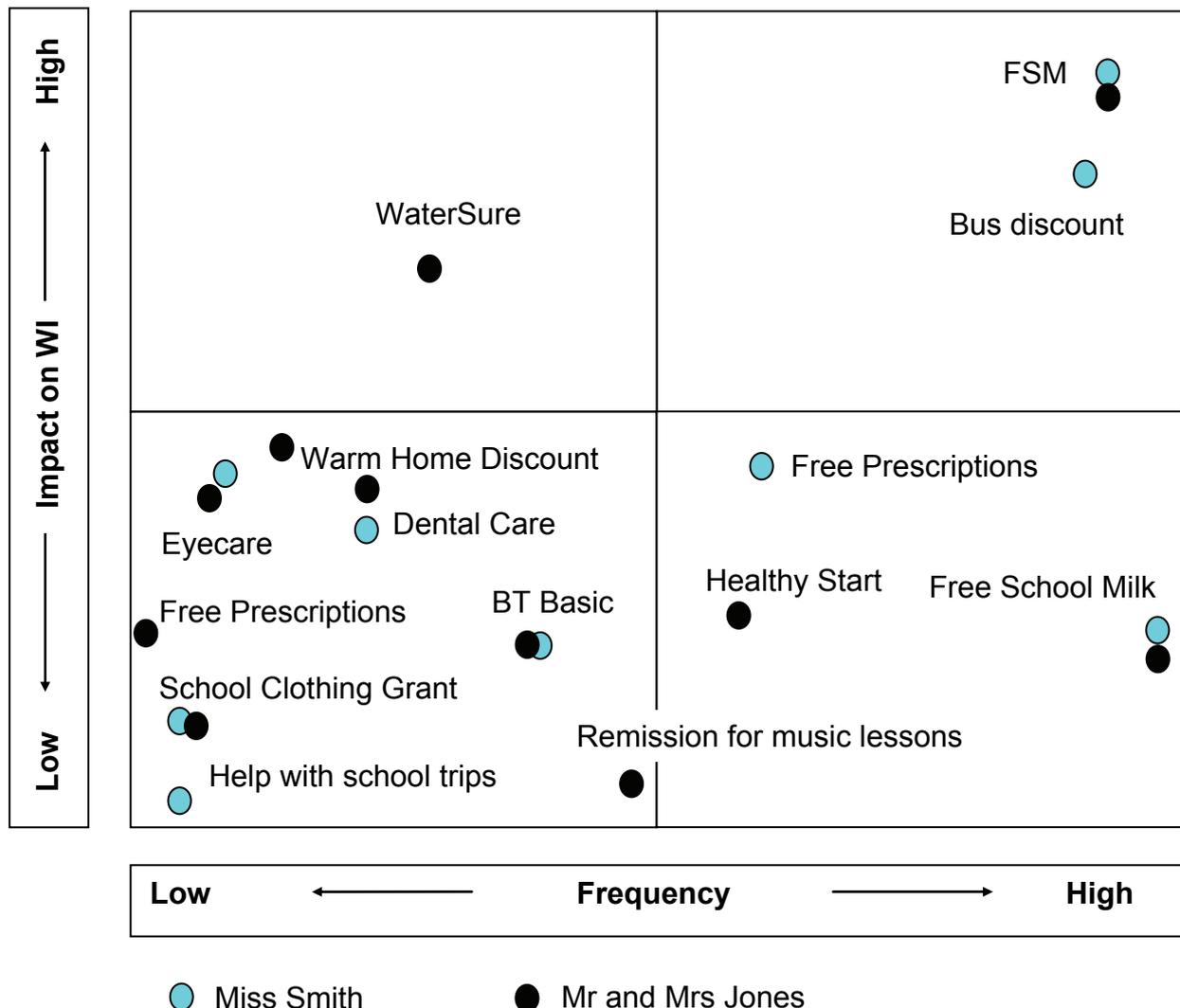
[Scottish Campaign on Welfare Reform, Consultation Response, July 2011]

Free prescriptions may be the difference to whether someone can take their medication or not, which may have a drastic effect on their health.

[NAWRA, Consultation Response, July 2011]

27. Although prescriptions and school meals were referred to as being particularly important in many of the responses, other passported benefits were regarded as being of great importance to those who receive them in times of specific need. We have attempted to illustrate how the various passported benefits sit within a matrix demonstrating the difference between continuous and one-off benefits and the impact on potential work incentives, using Miss Smith and Mr and Mrs Jones as case studies. We have shown a number of benefits in the bottom left hand cell primarily because they are accessed less frequently than those in the other cells.
28. Of course, the distribution of passported benefits on the matrix will vary from household to household. In a household with considerable health needs, for example, free prescriptions would move along the frequency scale and their loss could have a potentially greater significant impact on the extent to which work pays. A household with no children, on the other hand, would not be impacted by the loss of education benefits but might have other significant needs such as frequent dental treatment.

Figure 2.1 Illustrative Matrix – perceived impact on potential work incentives and frequency of receipt for current passported benefits



29. Although an initial glance at this matrix suggests that many passported benefits fall into the low frequency/low impact on returns to work, the reality is that taken together these passported benefits represent significant support and value to Miss Smith and Mr and Mrs Jones. If they were to engage in some kind of mental calculation as to whether they are better off in work they may well realise the putative financial loss in respect of this clustering of benefits.
30. Despite the loss of passported benefits as people move into work and the obvious cliff-edges, review respondents also stressed that virtually all families with children are better off in work once wages, tax credits, benefits and disregards are taken into account, even though the removal of passported benefits erodes in-work financial gains, particularly in households with several children. Under the current system, Working Tax Credit softens the cliff-edge resulting from the loss of passported benefits. Under UC, this will disappear in favour of a smooth taper, of course, from no work through to full-time work. If passported benefits are not fully integrated with UC, it will be essential to find ways of withdrawing passported benefits more smoothly in the future. Consultation responses suggested that the complexity in the current system merely reflects the complexity in claimants' lives and that a one-size-fits-all approach in the future may not meet people's varying needs. We have been mindful of this view in our consideration of the options proposed in the next chapter.

Integrating Policy Objectives and Targeting Need

31. It is evident from our review that all the current passported benefits are highly valued by those who receive them, and that they meet a variety of needs. One of the key challenges in considering how to deal with passported benefits when UC is introduced is that of integrating the varying policy objectives they serve with the overarching objectives underpinning welfare reform. Although the DWP administers some passported benefits via the Social Fund, including Cold Weather Payments, the Sure Start Maternity Grant and Funeral Payments, the majority are the policy and delivery responsibility of a range of other government departments, local authorities and their agents, the devolved administrations, and public and private commercial companies. This complex policy and distribution matrix explains much of the complexity in the current system of passported benefits, particularly in respect of the eligibility criteria, and presents interesting challenges for integrating welfare benefits into a simpler, fairer and more transparent system.
32. Inevitably, those responsible for administering passported benefits are keen to retain and promote their own policy objectives and not to have them diluted by the change to UC. As we have noted, however, there is a need to simplify and rethink passporting to reduce the current complexity and ensure that the right benefits reach the right people at the right time, and that cliff-edges are avoided when people move into and progress in work.

33. As a first step, we looked at how the policy objectives in the four main categories can be sensibly integrated in future, and the extent to which they complement the policy objectives relating to welfare reform.
34. Having examined the discrete policy objectives within each category, we believe that the key passported benefits play a strategic role in supporting a broader range of policy objectives which themselves bolster the Government's objectives underpinning welfare reform.

Supporting Wider Policy Objectives

Passported benefits contribute to a range of policy objectives:

- reducing child poverty
- tackling social exclusion and enabling participation
- reducing health inequalities
- improving educational outcomes
- promoting healthier lifestyles and managing health conditions
- increasing personal responsibility
- increasing access to justice
- enhancing the quality of family life and wellbeing

35. All these objectives can be regarded as relevant to the expectations that welfare benefits should both protect and support the vulnerable in society and ensure that work pays. Poor health, low educational attainment and poverty all impact on the ability of individuals to find and sustain work and manage daily life without recourse to welfare benefits. The expectations of a welfare state are that it will ensure that access to education and health services is available for all and that support is provided in a variety of ways for citizens when they need it. Balancing wider policy objectives with making work pay was regarded by some consultation respondents as an essential task within UC. We have borne this in mind as we have examined some of the key passported benefits in each of our four categories and the possible options available under UC, and we believe that balancing and integrating policy objectives is both possible and essential.

Education-Related Benefits

36. Although there are a number of benefits which provide assistance with education costs, the passported benefit that appeared to be of most significance to those who responded to our consultation was free school meals.

37. School meals are provided to children as a benefit-in-kind and they have to be paid for out of the education budget. They are always 'free' for children at the point of delivery. They have a monetary value of about £2 per day, although this varies between local authorities. It is important to note that there is a difference between the 'price' of the meal and the production 'cost', and differences in price between primary and secondary schools.
38. Since education is a devolved matter the eligibility criteria are set separately in England, Wales, Scotland and Northern Ireland (see Annexe 3). School meals are offered in schools across the UK and are provided without charge to children in England and Wales whose parents are in receipt of a means-tested benefit.
39. In Scotland, the eligibility is similarly framed, although there are key differences in the criteria (see Annexe 3). Additionally, the provision of free school meals in Scotland plays a key role in helping to ensure that children are provided with a healthy foundation of life long eating habits. Following a largely successful evaluation of a trial to provide free school meals to primary grades 1–3 pupils in five local authorities, legislation commenced in 2010 giving local authorities the power to provide free school meals to all or some children in primary grades 1–3. A number of local authorities are using this power and have local initiatives in place to extend the provision to these pupils. Local authorities are also under a duty to promote the uptake and benefits of school meals and, in particular, free school meals. School lunches are now provided free to primary 1–3 children in the most deprived communities.
40. In Northern Ireland the criteria are similar to England and Wales although some are unique to that region. In addition, the criteria were extended in 2010/11, on a two year phased basis, to include nursery and primary pupils whose parents are in receipt of Working Tax Credit and have an annual income of £16,190 or less.
41. In 2009 a two-year pilot was established in England, delivering school meals without charge to all primary school children in Durham and the London Borough of Newham, and to primary and secondary school children in low-income working families (i.e. pupils whose parents/carers are receiving Working Tax Credit and have an annual income of £16,190 or less) in Wolverhampton. The results of the pilot are due in Spring 2012. In addition, a number of local authorities have decided to provide school meals free to all nursery and primary school children in their area, notably in the London Boroughs of Islington and Southwark. Other local authorities have been experimenting with the offer of a subsidised meal to encourage the take-up of school meals by families with low income.

42. In Scotland, local authorities are under a duty to make provision for pupils attending their schools who are unable, by reason of the inadequacy or unsuitability of their clothing, to take full advantage of the education provided. This legislation allows local authorities to take action 'as they may deem necessary' to achieve the requirement. Many authorities meet it by providing school clothing grants/vouchers to parents who meet the eligibility criteria that authorities set, at a value that they set, via an application process that they also set. The eligibility criteria set are often partly or fully in line with eligibility for free school meals and may also be linked to other reference points in the existing welfare system.

Policy objectives underlying the provision of free school meals

43. The main objective of the Government's school food policy is to ensure that pupils are provided with a healthy, nutritious meal at school. A wealth of evidence underpins this policy.²¹

School Meals: The Policy Evidence

Research indicates that:

- a healthy school meal improves children's concentration during afternoon lessons and can help children develop healthy eating habits
- school meals are healthier than packed lunches: only 1% of packed lunches meet the nutritional standards set for school meals
- healthy school meals have the potential to decrease dietary inequalities

Eligibility and take-up

44. The current eligibility generally aims to provide a 'nutritional safety net', ensuring that a healthy meal is available to the most deprived pupils. Poor children stand to benefit most from school meals, as children from low-income families tend to eat a less healthy range of food and have a greater propensity to become obese.²²

²¹ See for example, Belot, M. and James, J. (2009) *Healthy School Meals and Educational Outcomes*, Institute for Economic and Social Research Working Paper; 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*; School Meals Review Panel (2006) *Turning the Tables: transforming school meals*; BBC News (2010) *Health Lunch Boxes a Rarity*, available <http://news.bbc.co.uk/1/hi/health/8451828.stm> (Accessed Feb 10, 2010); Nelson, M., Erens, B., Bates, B., Church, S. and Boshier, T. (2007) *Low Income Diet and Nutrition Survey* (Food Standard Agency: London).

²² See NHS (2010) *National Child Measurement Programme: England, 2009/10 School Year*.

45. Respondents to our consultation argued strongly that providing school meals as a benefit-in-kind is the best way of ensuring that the children who need them most will receive them. Some respondents argued that entitlement remains inadequate, however. The Child Poverty Action Group (CPAG) noted in its consultation response that 3.8m children live below the poverty line, yet only 1.2m children are known to be entitled to free school meals. Research suggests that about 20 per cent of children in poverty are not entitled to free school meals.²³ Nevertheless, data from the most recent Department for Education (DfE) School Census in England indicate a continued increase in the proportion of pupils in maintained schools known to be eligible for and claiming school meals.²⁴

Eligibility and Take-up of Free School Meals

The DfE school census in England indicates that:

- in maintained nursery and state-funded primary school, 19.2% of pupils were known to be eligible for and claiming school meals in 2011 (743,255 pupils), an increase from 18.5% in 2010
- in state-funded secondary schools, 15.9% of pupils were known to be eligible for and claiming school meals in 2011 (450,275 pupils), an increase from 15.4% in 2010
- in special schools, 36.5% of pupils were known to be eligible for and claiming school meals in 2011 (28,830 pupils), an increase from 34.9% in 2010
- in pupil referral units, 34.6% of pupils were known to be eligible for and claiming school meals (4,745 pupils), an increase from 33.3% in 2010

46. Despite increasing take-up of school meals by those eligible, evidence from the School Food Trust shows that the application and subsequent take-up rates for free school meals in England are considerably lower than would be expected: around 80 per cent of primary pupils and 70 per cent of secondary pupils who were registered for school meals took them up.²⁵ Research published by the Department for Education indicated that some 32 per cent of parents/carers with children eligible for free school meals reported that their children did not take them up.²⁶

²³ London Economics (2008) *Assessing Current and Potential Provision of Free School Meals*, Economic Research on free school meals and exchequer costs.

²⁴ <http://www.education.gov.uk/rsgateway/DB/SFR/s001012/sfr12-2011.pdf>.

²⁵ <http://www.schoolfoodtrust.org.uk/school-cooks-caterers/reports/sixth-annual-survey-of-take-up-of-school-meals-in-England>.

²⁶ <http://www.education.gov.uk/publications/eOrderingDownload/DCSF-RR060.pdf>.

47. The main reasons given for not taking up free school meals were that:
- the child prefers to take a packed lunch, eat at home, or eat out (69%)
 - the child prefers to eat with friends who have the same lunch arrangement (37%)
 - school meals are not considered healthy (7%)
48. Concerns were expressed during our review that school meal vouchers are regarded as very stigmatising in the delivery of free school meals. Although teachers who responded commented that schools usually try to ensure that the children receiving free school meals are not overtly identified or stigmatised, the School Food Trust has supported a range of initiatives to promote more applications and a higher take-up of free school meals.

Reducing Stigma and Increasing Take-Up of School Meals

The School Food Trust recommends:

- allowing children eating packed lunches to sit alongside friends eating school meals
- eliminating procedures that might identify/stigmatise pupils registered for free school meals
- simplifying the application process

49. These suggestions are relevant to the consideration of how to deal with school meals under UC, and we return to them in the next chapter.
50. Benefit recipients in our focus group and those interviewed during the review, not all of whom had children, regarded free school meals as one of the most important passported benefits, along with free prescriptions and dental care.

It's like forty pounds a month [for school dinners] so if you have got two kids it's like eighty quid a month.

At least you know they [children] get, like in winter, they are having a hot meal instead of just sandwiches.

The cost of providing school meals as a benefit-in-kind

51. Since April 2011 funding for free school meals in England has been provided by the Department for Education to local authorities as part of the Dedicated Schools Grant (DSG), and has not been ring-fenced. It is difficult, therefore, to know just what funding is allocated for the provision of school meals as a benefit-in-kind. The average lunch price varies within and between regions, ranging between £1.40 and £2.50 per day.

Issues to be addressed in a reformed system

52. The policy objectives of providing school meals to children whose parents are on benefits or a low income are clearly related to enhancing health and wellbeing in order to enhance learning and promote better educational outcomes. Our review indicated very clearly that these objectives are supported by research and should not be undermined. The Department for Education would like applications and take-up to increase so that all families in England who are eligible can benefit from this provision, although this clearly has a financial cost and could mean that the income threshold would have to be reduced if the benefit is to remain cost-neutral under UC.

Lessons to be taken forward

Lessons to be taken forward include the following:

- not all those eligible take up school meals in the current system
- the system for providing school meals should be simple and easy to administer, so as to encourage better take-up
- localisation gives local authorities and schools more autonomy over budgets to enable local initiatives, flexible charging and promote better value-for-money, but this has to be balanced against fairness and transparency

53. The overwhelming message from our review is that the provision of school meals as a benefit-in-kind is critically important, highly valued by educationalists and families alike and a key element within the benefits system which respondents said should be protected going forward, along with the other benefits that sit alongside it, such as school clothing grants and help with travel costs and residential school trips.

Health-Related Benefits

54. During the review we considered a range of health-related benefits, including prescriptions, support for dental and optical treatment, Healthy Start vouchers, the Sure Start Maternity Grant, and help with wigs and fabric supports and for the cost of travel to medical appointments. The consultation revealed that two of these benefits – prescriptions and Healthy Start vouchers – are regarded as particularly important to those who are eligible to receive them, so we have focused our discussion primarily on these specific benefits. Nevertheless, the provision of dental and optical care is also very important and a number of respondents underlined these benefits as vital to good health.
55. The charges associated with the National Health Service (NHS) are a devolved matter. Prescriptions are provided to everyone without charge in Scotland, Wales and Northern Ireland. Discussion of prescriptions is therefore relevant only to England. In Scotland, NHS eye and dental examinations are free for all ordinary UK residents.
56. Healthy Start is one of two linked statutory welfare food schemes which work together to provide a nutritional safety net for children and families.²⁷ Healthy Start provides passported support via vouchers for the most nutritionally vulnerable children under 4, pregnant mothers and new mothers, and it encourages breast feeding and healthy eating within the context of a healthy lifestyle. It could be argued that Healthy Start has very similar and complementary objectives to the provision of school meals once children go to school.

Policy objectives for providing access to health-related benefits

57. The provision of free prescriptions and access to other kinds of medical treatment is regarded as essential to ensure that people on benefits or a low income are not deterred from monitoring their health (via dental and optical checks, for example) seeking medical advice whenever necessary, and undergoing treatment. The lack of treatment makes it more likely that people who are unable to work because of ill-health will take longer to recover and their ability to work will be reduced.

²⁷ All children under 5 who attend Early Years or day care can benefit from the Nursery Milk Scheme which funds the cost of a daily drink of milk. It is not a passported benefit.

58. The Disability Benefits Consortium suggested to us that facilitating better medical compliance is in line with the Government's overall focus on supported self-management, and with the agenda to support people with disabilities or ill-health to return to work. They also noted that a survey undertaken by the British Heart Foundation in 2011 found that 52 per cent of respondents living in England who pay for prescriptions experience difficulties in meeting the cost and frequently stop taking prescribed medication. Not only does this present risks to the individuals' health but it can increase costs to the NHS if emergency intervention is required at a later date.

Consultation Responses about Health-related Benefits

1. Remission of prescription charges is absolutely vital to maintain the health of individuals eligible to receive passported benefits: clinicians do not prescribe medicine unless they are needed. (Pharmaceutical Services Negotiating Committee (PSNC))
2. Many people who present prescriptions to a pharmacy ask which items are most important and make judgements about which they can afford if they are not entitled to passported benefits. (PSNC)
3. The failure to adhere to a prescribed course of treatment not only has a negative impact on the patient, but is generally wasteful of scarce NHS resources, and can result in long-term and possibly irreversible deterioration in the health of the individual. (PSNC)
4. NHS sight tests are vital to detecting avoidable sight loss and facilitating access to treatment, and can provide assessment of an individual's general health. (The College of Optometrists and the Optical Confederation)
5. Visual impairment causes a substantial social and human cost which can increase the risk of other health conditions, restrict social participation and impair physical and mental health, but the cost of eye care is often regarded as a barrier to attending for a sight test and suffering from visual impairment is regularly quoted as a barrier to accessing employment. (ibid)

59. Our review found universal support for the provision of health-related passported benefits, citing the importance of encouraging people to stay healthy and seek advice and treatment regularly. Most respondents argued that prescription medicine should be free for everyone in England as it is in the rest of the UK. Access to healthcare, particularly prescription medicine, is seen as critical. Ill-health is often unpredictable, and the cost of prescriptions is likely to vary over the lifespan. The value of free prescriptions varies from individual to individual but is of significant importance to those with chronic or complex conditions. Other health costs, such as dental charges, glasses and travel to hospital, which are often expensive, can also vary but are hard to afford for those on low incomes.²⁸

²⁸ Low Incomes Tax Reform Group, Community Links and CPAG (2007) *Interact; benefits, tax credits and moving into work*.

Two years ago I had a stroke and every month or every other month I have to pay £30 for tablets ... that's £30 and I know I can't bargain for that because it is my health. My wages have increased and the ability to access things I could have accessed, I can't. So therefore, I actually feel a lot worse off [in work], very worse off, very much so. So it has been, quite difficult ... So I used to get the exemptions for pills and things and even things like dentist bills, you know. I need to go to the dentist every six months, but I won't go every six months because I really cannot afford to go every six months.

60. The cost of dental visits was also raised by benefit recipients in the interviews. The view expressed was that dental care “is really dear”. It is important to note that in Scotland, NHS dental check-ups and sight tests are provided free for everyone.

Eligibility for free prescriptions

61. Annexe 3 indicates the current eligibility for free prescriptions in England. It is relevant to note that currently, people receiving contribution-based ESA, including those in the support group, are not eligible for free prescriptions via passporting. Some consultation respondents felt that they should be eligible for free prescriptions. Out-of-work means-tested benefits constituted the original baseline for passporting: these were deemed to define a poverty line below which people were not required to meet NHS charges. When in-work benefits were first introduced all recipients were passported in order to support the policy of encouraging work without a cliff-edge. When tax credits were introduced in 1999, eligibility extended further up the income scale to a level that was intended to include the same number of families and, hence, be cost neutral.

Volumes and take-up of free prescriptions

62. There are no data available about the numbers of those eligible to receive free prescriptions who need prescription medicine each year.²⁹ Data about prescriptions are collected in respect of the number of prescription items dispensed and the numbers dispensed without charge, rather than in respect of individual patients. The average number of prescription items dispensed per person in 2010 was 17.8. However, some people need several items and others none. Moreover, 94 per cent of the prescription items dispensed are not paid for at the point of delivery.

²⁹ The size of the eligible group is as follows: there was an average of 1.6m live awards in any given month for Income Support, 240,000 live awards per month for income-based Employment and Support Allowance, and 940,000 awards for income-related ESA Jobseeker's Allowance in the 12 months to November 2010. 1.6m households received working tax credit or child tax credit and met the qualifying rules for NHS passporting as at December 2010, based on the 2010/11 thresholds.

63. Those receiving passported benefits are but one of the groups who do not have to pay for prescriptions. While the proportion of prescription items dispensed without charge has risen in the last ten years, there are no data available by exemption groups. Historical data would suggest, however, that the majority of prescriptions are exempt on the grounds of patients being aged 60 and over.
64. The Department of Health in England has estimated that the cost of exemption from prescription charges via passported benefits is approximately £230m per annum.³⁰ The costs associated with processing prescriptions for those eligible for passporting are not separately identifiable as they are included within the overall reimbursement arrangements for dispensers in England. Currently, Primary Care Trusts are responsible for holding contracts with the main providers of passported services (pharmacists, dentists and opticians). Subject to the passage of the Health and Social Care Bill 2011, the responsibility for contracts with these providers will rest with the NHS Commissioning Board.
65. Prescription Prepayment Certificates are available for purchase by people who need to pay for four or more prescription items in three months or 14 or more prescription items in a year, substantially reducing the overall cost. We consider this scheme in more detail in Chapter 3 when we examine options for the future delivery of health-related benefits.

Lessons for the future delivery of prescriptions as a passported benefit

66. A number of concerns were expressed by review respondents about the current system for passporting prescription charges which are important to consider for the future.

Lessons for the Future Relating to Prescription Charges

Consultation responses identified that:

- the complexity in the current system and the lack of adequate publicity about eligibility and entitlement means that people do not always receive the support they are entitled to
- complexity and poor communication contributes to error in the system
- prescriptions put cost pressures on NHS budgets
- support for prescription costs is not always targeted effectively at people on low incomes
- the burden of prescription charges is particularly heavy for people with a long-term health condition who have greater needs for medicines, and not all long-term conditions are exempt from charges

³⁰ This figure also includes war pensioners and those in receipt of Pension Credit guarantee credit.

Eligibility for Healthy Start vouchers and vitamins

67. Although Healthy Start operates across the UK, Great Britain and Northern Ireland regulate separately and any changes to policy in Great Britain must be decided in consultation with Scotland and Wales. Healthy Start vouchers ensure access to a range of nutritional foods: the devolved administrations of Scotland and Wales can decide on the range of food to be included and the health advice given to pregnant and new mothers. There is, nevertheless, a consistent approach taken across the UK in order to keep delivery costs of the scheme low, make voluntary participation cost-neutral for retailers who accept the vouchers, and avoid confusion and complexity for claimants living near internal borders.
68. Until 2011/12, the income threshold for mothers qualifying through tax credits was uplifted to match uplifts in the first threshold for receipt of child tax credit (without working tax credit), to ensure consistency and operational simplicity. In 2011/12 Department of Health Ministers decided to maintain the threshold at £16,190 even though the HMRC threshold was reduced, thus avoiding the loss of the benefit by some mothers who were deemed to be nutritionally vulnerable.

Take-up and cost of Healthy Start vouchers

69. Approximately 305,000 households submitted new applications for vouchers in 2010/11 and some 218,000 were approved (an average of 17,000 every four weeks). On average, around 563,000 women and children in some 450,000 households received Healthy Start vouchers and vitamin coupons in each four-weekly voucher cycle. The take-up in 2010/11 among all eligible households was approximately 78.5 per cent in England and Wales, and 77 per cent in Scotland and Northern Ireland.
70. The Department of Health finances the full costs of the scheme in England and the administrative costs of the scheme in Scotland and Wales. The devolved administrations finance the cost of the vouchers spent and the vitamin supplements provided to beneficiaries in their own country. Northern Ireland funds the full cost of its own Healthy Start scheme. The vouchers have a face value of £3.10 each and can be spent on milk, fresh and frozen fruit and vegetables or formula milk. Families with babies under a year receive two vouchers a week per child and families with children aged between one and four and pregnant mothers receive one voucher per week per child. Families can also claim coupons to obtain branded vitamin supplements at local NHS clinics or Children's Centres.
71. Although we were told that the scheme is highly valued by beneficiaries, the total financial value to a family can be as little as £12.40 for four weeks on the scheme. For many families who apply the value could be much higher, however.

Healthy Start Illustrative Scenarios

Entitlement Examples:

- a pregnant woman applying in the 10th week of pregnancy would receive £93 worth of vouchers by the time her baby is born (30 x £3.10)
- a child over 1 and under 4 years of age would receive £161 worth of vouchers for each full year they are on the scheme (52 x £3.10)
- a baby would receive £322 worth of vouchers if they are on the scheme from birth until their first birthday as the family gets double vouchers for children under 12 months old (52 x (£3.10 x 2))
- a family with 2 children under four (born more than a year apart) would therefore receive from £322-£480 worth of vouchers for every year they spend on the scheme

72. The total expenditure in the UK on Healthy Start in 2010/11 was around £105m:
- approximately £100m was spent on the milk, fruit, vegetables and formula milk purchased with Healthy Start vouchers, and on vitamin supplements
 - approximately £5m was spent on administrative costs. This includes all core contract costs and postal charges
73. The scheme is fully contracted out and the Health Improvement and Protection Directorate retains policy and strategic oversight for its delivery. Applications are made to the Healthy Start Issuing Unit (HSIU) and countersigned by a midwife or health visitor. Details of those newly qualifying, no longer qualifying or with changes in circumstances are provided by HMRC every two weeks to HSIU, and DWP provides four-weekly data sets with details of those currently qualifying. Entitlement is revalidated every four weeks.
74. The Department of Health informed us that many beneficiaries receive support from social services and live in deprived and low-income, unemployed families. Evaluation of the effectiveness of the Healthy Start scheme is underway and a report is expected in 2012.

Typical Characteristics of the Healthy Start Customer Base

Typical family features include:

- poor educational attainment
- ethnic minority families
- low maternal age
- high risks of low birth weight babies (and the health problems associated with low birth weight)
- very low rates of breastfeeding
- high risk of obesity among children and adults
- high risk of vitamin D deficiency (and therefore increased incidence of rickets)
- poor diet and lifestyle, and few food preparation/cooking skills
- very low family expenditure on food, with healthy foods sidelined
- poor take up of health and related services
- living in deprived areas with high crime levels, where alcohol and drug abuse is normalised, and there are high levels of smoking

75. Citizens Advice, in its response to our consultation, cited the example of a single mother in London who had been made redundant and was receiving Income Support and applied for Healthy Start vouchers for her two-year-old son. She had described fresh fruit and vegetables as a luxury because of her low income and the vouchers enabled her to ensure that her family ate five fruits a day. Evidence suggests that Healthy Start vouchers are an important passported benefit for mothers and young children. Benefit recipients themselves drew attention to the importance of Healthy Start vouchers. We were also told that the Maternity Grant is very important for young mothers.

Healthy Start Vouchers are good. Before he [son] was one you get, I think it was twenty-four pounds, and then after he was one it went down to twelve pounds, but it still adds to our shopping.

The [Maternity] grant was really helpful with buying the pram and the cot. I didn't buy new either ... but that still took up the five hundred pounds, with all the stuff that needs to be done.

76. Support during pregnancy and when babies are born is regarded as very important by those eligible for the benefits.

The NHS Low-Income Scheme

77. The NHS Low-Income Scheme provides income-related help with a variety of health costs. People who are not in receipt of means-tested benefits and who do not therefore receive passported benefits, can apply to the scheme. In general, the calculation of entitlement is based on Income Support arrangements and also takes account of housing costs and council tax. Anyone on a low income, including students and pensioners, can apply. With the introduction of UC the Department of Health will need to review the low income scheme.
78. Currently, the Department of Health receives about 450,000 applications a year and is seeking to increase the take-up. The cost of administering the scheme is some £4m – £5m a year, which is relatively high. During our review, some respondents were critical of the current scheme, primarily because awareness among the public is low and they believe that more needs to be done to enhance take-up by those who cannot gain access to health care via passported benefits. It was suggested by some respondents that the current system also leads to client error and high administration costs: many who apply to the Low Income Scheme will have had their income and other details certified for another benefit, such as Housing Benefit, and so duplication can be regarded as a waste of resources and a burden for the claimant.
79. The Disability Benefits Consortium provided an example of how a household which moves from receiving support through the tax credits system to the Low Income Scheme can quickly go from not having to pay anything towards their health costs, to having to make significant contributions.

Illustrative Example of Health Costs

A family receives working tax credit and child tax credit and full support for all of their health costs. When their weekly income rises by £10 the following year, they lose their entitlement to WTC and full support with their health costs through the tax credits system. They apply to the Low Income Scheme, which calculates how much support they will receive based on how much their weekly income is above income support levels. Their weekly income is around £60 above Income Support levels. This means that they would have to pay:

- for all of their prescription charges (although they could apply for a Prescription Prepayment Certificate)
- the full cost of a sight test (if below £120)
- up to £180 for a course of dental treatment (or the full cost if the treatment cost was less than £180)

Lessons for the future delivery of health-related benefits

80. Having looked in some depth at the evidence we collected relating to health-related passported benefits, a number of generic lessons can be taken forward. These mainly relate to the problems perceived by respondents in managing a complex system, low awareness of some of the schemes, and the variability in the criteria for eligibility.

Lessons for the Future Delivery of Health-related Support

The lessons identified during the review include:

- the importance of simplicity in encouraging take-up
- the importance of targeting support to those that need it, when they need it
- the quest for greater transparency in the system
- a firm belief that no-one should be denied access to healthcare because they cannot afford to pay for it

81. Many respondents to the review made a strong case for providing health benefits as benefits-in-kind. St Mungo's, for example, made a strong case for providing health benefits-in-kind for those facing homelessness. Homelessness is frequently caused by and causes ill-health, and people facing homelessness face considerable barriers to accessing healthcare as well as accessing work. The threat of losing passported benefits could impose substantial costs on homeless people who enter employment, as they frequently have to cope with ongoing health problems.³¹ Providing benefits-in-kind to specific groups in the population underpins broader policy objectives, such as ending rough sleeping.³²

Access to Justice Benefits

82. During the review we have considered three passported benefits relating to access to justice: remission from court fees; the provision of legal aid; and the Assisted Prison Visits Scheme. The eligibility criteria vary both across and within the three schemes. Within the courts and tribunal service there are a number of different remission systems.

³¹ Centre for Economic and Social Inclusion (2006) *The Costs and Benefits of Formal Work for Homeless People, Off The Streets and into Work*.

³² H.M. Government (2011) *Vision to End Rough Sleeping, No Second Night Out nationwide*.

Policy objectives of legal aid and remission of court fees

83. Legal aid and court fee remissions were deemed by review respondents as fundamental to social and legal justice.

Access to Justice Policy Objectives

Legal aid and court fee remissions:

- help with the costs of legal advice, assistance and representation
- enable access to court processes for people who cannot afford to pay
- help people understand their legal obligations, protect their basic rights, get a fair hearing, sort out disputes, and solve problems relating to social exclusion

84. As we indicated in Chapter 1, we received few responses about access to justice benefits during our review. Nevertheless, those we did receive emphasised that legal aid provides necessary, if limited, support for dealing with civil and criminal issues. We note that legal aid (which is a devolved matter in Scotland and Northern Ireland) is also the subject of wide-ranging reforms at the present time and the eligibility criteria for the provision of legal aid will be tightened. At the present time, providing the Legal Services Commission in England and Wales is satisfied that an applicant for legal aid is in receipt of a means-tested benefit and the case passes the 'merits test', legal aid is automatically granted.
85. In Scotland legal aid is available to a person where, on application, the Scottish Legal Aid Board is satisfied that they have probable cause, and it is reasonable in the particular circumstances of the case that they should receive legal aid. An applicant must also satisfy the financial conditions on disposable income and disposable capital. Applicants receiving Income Support, Income-related Employment and Support Allowance or Income-based Jobseeker's Allowance are financially passported – that is, they qualify financially for civil legal aid with no contribution. Unlike in England and Wales, the Scottish Government's reform proposals do not propose major changes to the scope of legal aid. The proposals for reform in Northern Ireland, if implemented, will mean considerable differences in scope and provision between England and Wales, Scotland and Northern Ireland.

Volumes and costs – Legal Aid

86. In England and Wales in 2009/10, there were 211,751 legal aid applications for criminal legal aid in the magistrates' courts of which 194,872 were granted and 79,887 applications for licensed work (civil representation) of which 67,855 were granted specifically where the applicant qualified for one of the named passporting benefits. The average monetary value of a successful application was £475 in the magistrates' courts in criminal matters, and £4,789 for civil representation. Passporting cases accounted for 35.4 per cent of cases that were publicly funded in the magistrates' courts and 42.5 per cent in licensed work.
87. In 2010/11, 70,883 new legal aid claims were submitted for criminal matters and 21,251 for civil cases in Scotland. Of these 62,327 and 13,068 respectively were approved. Between 46 and 62 per cent of criminal legal aid, and 13 to 55 per cent of civil cases were income passported, depending on the type of legal aid provided.

Volumes and costs – remission of court fees

88. Her Majesty's Courts and Tribunal Service (HMCTS) does not record how many fee remissions applications it receives but in 2009/10, 123,300 applicants were granted based on receipt of passported benefits, to the value of £16.5m in lost income. In 2009/10, 50,600 applicants were also granted remissions based on a means test of gross annual income or disposal income. This means-test allowed applicants on low incomes to access HMCTS services that were not eligible for full remission as a result of passporting. The HMCTS also spent £5.2m administering the fee remissions system. Some 30 per cent of the UK adult population are eligible for full remission as a result of passporting.

The perceived value of Legal Aid and Court Fees Remission

89. Although benefit claimants are unlikely to be applying for help with legal aid and remission from court fees regularly, review respondents were keen to point out that these passported benefits are vital at certain times, can amount to considerable sums of money and are highly valued by those who receive them when they face a legal problem. Citizens Advice noted that these benefits ensure that individuals and families are treated fairly under the law. Some Citizens Advice in England and Wales hold a legal services commission contract and receive the support of local solicitors to give advice on welfare matters. Thus, some bureaux can provide valuable legal advice to benefit claimants.

Legal Aid – Illustrative Example

One man told the CAB that without the help from them via legal aid, he would not have had peace of mind, hope, a home, nor be recovering from alcoholism. He had been unable to deal with his ESA claims and his income had stopped and started, but he had gone to appeal and won, with the bureau's help. His benefit fluctuations had affected his ability to keep up with his debt repayments and, because of his long-term mental health issues, he had been unable to deal with aggressive creditors demanding payments he could not afford.

These issues resulted in non-payment of priorities such as rent and/or council tax and were leading him in to long-term debt. He had mobility issues caused by a motorbike accident and significant mental health issues resulting from a near fatal stabbing a couple of years later. His appeal had changed his work capability assessment points from nil to 21 but no sooner had this been resolved than he was sent another ESA50 and had to go through it all again. He felt desperate about having to go through this every six months, with the additional stress of on-going appeals, and the inability to manage his finances with yo-yoing benefits. The help of the bureau through legal aid was crucial to him.

The Assisted Prison Visits Scheme

90. The Assisted Prison Visits Scheme supports prisoners' families on low incomes to maintain prison visits. Many prisoners come from a background of financial exclusion, and their families are likely to be in receipt of means-tested benefits prior to and during a prisoner's sentence. The Prison Reform Trust noted that many prisoners have considerable debt when they are released back into the community.

Policy objectives

91. Maintaining contact with prisoners via prison visits is regarded as crucial to sustaining family relationships.³³ Respondents to the consultation suggested that the current system of travel warrants and postal orders for other subsistence costs works well but cliff-edges can be problematic for families if the benefit is lost. The Ministry of Justice has made considerable efforts to simplify the system and this had been welcomed.

³³ Walker, J. and McCarthy, P. (2005) 'Parents in Prison: the impact on children', in *At Greatest Risk: the children most likely to be poor*, CPAG.

Assistance with Prison Visits – Policy Objectives

The Prison Reform Trust cites evidence that indicates:

- maintaining family ties can reduce the likelihood of re-offending by 39%
- prisoners' families find it difficult to predict the cost of prison visiting because prisoners are moved around the country and would be unlikely to be able to prioritise visits if money is tight
- prisons are expected to actively encourage meaningful family ties
- regular and good quality contact time between prisoners and their families provides an incentive not to reoffend and to take employment/training on release

Access to justice – lessons for the future

92. There are some key messages emerging from our consultation in respect of passported benefits which improve access to justice that are important going forward.

Access to Justice – Lessons for the Future

- these passported benefits are very important for those who need them and their value can be immense
- simplicity is key in terms of application for and delivery of the benefits
- benefits need to be flexible to meet the variable costs of support
- different eligibility criteria can be complex and confusing to understand
- generally, the most vulnerable people have a greater need for support with legal aid, court fees and prison visiting

Utility-Related Benefits

93. During the review we looked specifically at the following benefits: WaterSure, Warm Home Discount, Energy Company Obligations, Cold Weather Payments and voluntary social tariffs. With the exception of Cold Weather Payments, which are the responsibility of DWP, assistance with utility costs is provided by commercial companies, either because of a legal requirement to do so (for example, the Water Industry (Charges) (Vulnerable Groups) Regulations 1999) or because they are encouraged by government to offer support to vulnerable people.

94. As we can see in Annexe 3, eligibility varies between schemes, adding to complexity and potential confusion for customers. Furthermore, there are variations between countries in the UK: for example, in Scotland, unmetered water supply and waste collection charges are based on council tax bands. In Northern Ireland, water charges are included in rates and dealt with via Housing Benefit and rate rebates (Council Tax has not been introduced in Northern Ireland). Details about eligibility generally and the support available in the devolved administrations are given in Annexe 3.

Policy objectives

95. The main policy objective of the passported benefits which assist with utility costs is to provide those on low incomes and vulnerable households with essential services and warm homes. The costs of this provision are primarily borne by other customers or by the providers.

WaterSure

96. The policy objective of WaterSure is to ensure that people on low incomes who have high essential use of water and are charged for their volumetric use of water, do not reduce their water use for fear of receiving high bills. It caps bills at the company average. It is designed specifically for people whose water is metered, who are on low incomes and need to use a lot of water.

Key characteristics of WaterSure

WaterSure is a special tariff for people who have a combination of low income based on receipt of a means-tested-benefit and

- a medical condition which require above average water consumption
- or
- three or more children under the age of 19

The tariff applies to metered customers only. The tariff caps the water charge at the average bill for the company's operating area.

WaterSure is a mandated scheme in England and a voluntary scheme in Wales (Welsh Water Assist).

97. Most water companies have introduced their own schemes in addition to WaterSure, to assist low income customers experiencing financial difficulty. Advice agencies introduce the customers, having completed a benefits check and devised a debt plan. Wessex Assist, for example, supports some 8,000 customers a year with its social tariff scheme.

98. The water companies are satisfied that upfront investment, including support for the advice agencies, is improving the reliability of future payments: a big consideration given that water debt is higher than other utilities as it cannot be cut off as a result of debt and non-payment.³⁴ Direct deductions from benefits via third party deductions has proved to be an effective means of encouraging people on low incomes to manage their debts more effectively. Enabling customers to pay a reduced amount for their water reduces the accumulation of debt. The water industry as a whole is committed to increasing social tariffs for households on low incomes and targeting these as effectively as possible. The introduction of UC provides an opportunity to improve both the targeting and the take-up of social tariffs.
99. The Department for the Environment, Food and Rural Affairs (DEFRA) has recently consulted on a new set of social tariffs (enabled under the Flood and Water Management Act 2010) and DEFRA intends to publish guidance early in 2012 to enable water companies to create social tariffs funded by cross-subsidy by other customers, if they wish to. It is anticipated that all water companies will be able to devise their own schemes in future. They are likely to be linked to means-tested benefits. While local determination enables schemes to reflect local circumstances and needs, it also has the potential to increase complexity. We note, however, that the water industry as a whole is keen to keep administrative costs low, since these are borne by other customers who do not receive reduced tariffs, so simplicity is important goal.

Energy benefits

100. From 1 April 2011 the Warm Home Discount Scheme has almost totally replaced social tariffs and a range of other voluntary arrangements, in providing discount on electricity costs. The Department of Environment and Climate Change (DECC) expects about 2m low-income and vulnerable households to be supported each year: the scheme will provide £1.13 billion in direct and indirect financial support over four years. Under the scheme, means-tested benefit customers may be eligible for support, although there is a cap on the number of households to be supported. Support will be targeted at low-income and vulnerable households who are fuel poor and in a fuel poverty risk group.
101. Eligibility for working age people for Warm Home Discount is set by the individual energy companies, however, and there are already considerable variations between them. This undoubtedly adds to complexity and uncertainty for customers and may impact on take-up.
102. The Government has a statutory responsibility to end fuel poverty in England as far as is reasonably practicable by 2016 and the devolved administrations have similar targets, but currently there is a major challenge in targeting the most needy households.

³⁴ 4.72m customers were in debt, compared with 1.3m customers in the electricity sector in 2008/9.

103. Under the current Carbon Emission Reduction Target (CERT) suppliers are required to deliver carbon emission savings (for example, via loft or cavity wall insulation) to priority groups – notably those in receipt of an income-related benefit or Child Tax Credit with an income less than £16,190. Under CERT's successor, the Energy Company Obligation, the same priority groups and those eligible for the Warm Home Discount will be targeted. They will receive special assistance such as new heating systems in order to heat their home affordably.

Cold Weather Payments

104. Although Cold Weather Payments are not strictly within the remit of the review as they are part of the Social Fund, we refer to them here because they link closely to other benefits relating to energy. Cold Weather Payments are administered by the DWP and the Social Security Agency in Northern Ireland, and paid when extreme cold weather occurs over seven consecutive days between 1 November and 31 March. Eligibility is for those of working age via means-tested benefits (Income Support, Income-based Jobseeker's Allowance and Income-related Employment and Support Allowance) providing that there is a child under five or someone with a disability living in the household. Each payment is currently £25 and is paid when the average temperature has been recorded or is forecast to be 0°C or below over seven consecutive days at the weather station aligned to a local postcode. While the amount of each payment is fixed, people may receive any number of payments based on local weather conditions over the five month winter period. Payments are automatic and made either in advance or within a few days of a severe cold snap.
105. The total cost of Cold Weather Payments in winter 2010/11 was £430.8m (due to a particularly severe winter) plus £40,000 paid to the Met Office for their services.

The perceived value of energy-related benefits

106. Several respondents pointed to the vital importance of supporting the most vulnerable households with their energy bills and providing home improvements to reduce fuel poverty. People on low incomes are not only economically disadvantaged but they also need to spend more on fuel.³⁵ The interim report of the review of fuel poverty, currently being undertaken by John Hills,³⁶ confirms that fuel poverty is a distinct and serious problem, the core of which is the overlap between low income and high costs. It points to the negative impacts of living in cold homes on physical illness and mental health and concludes that people on low-incomes in the worst housing can neither afford the investment needed to improve energy efficiency, nor the later repayments, without additional help.

³⁵ Consultation Response from the Government's Fuel Poverty Advisory Group for England (FPAG) July 2011.

³⁶ Hills, J. (2011) *Fuel Poverty: the problem and its measurement*, Interim Report of the Fuel Poverty Review, CASE Report 69.

107. The Fuel Poverty Review makes the case for an alternative approach to measuring fuel poverty, and a final set of recommendations will be forthcoming in 2012. It will be important to consider these in the light of energy-related passported benefits and the options for delivering them under UC. At present, as we have seen, most government schemes use the receipt of welfare benefits as a proxy for eligibility, which will pose a significant challenge when UC is introduced.

The Importance of Energy-Related Benefits

- The Fuel Poverty Advisory Group reports that with every 1% increase in energy prices, 60-70,000 additional households move into fuel poverty
- passported benefits provide assurances to low-income households to turn up the heating without fear of not being able to pay a large fuel bill
- The inability to heat a home to a healthy temperature impacts directly and indirectly on the physical and mental health of the occupants

108. The Marmot review³⁷ found that children living in cold homes are more than twice as likely to suffer from a variety of respiratory problems which negatively affect their educational attainment, emotional well-being and resilience. Adolescents are at risk of multiple mental health problems and there are clear measurable effects for adults of all ages in terms of health and well-being, all of which limit the capacity to work. The National Association of Welfare Rights Advisers indicated that fuel benefits are vital to many families and go towards tackling some of the worst aspects of poverty faced by households reliant on benefits or low income.

Telecommunications

109. Under the provisions of the EC Universal Services Directive, BT and Kingston Communications (KC) have to provide, under the Universal Services Order, special tariff schemes for low-income customers. No other telephone operators have this requirement and, as far as we could ascertain, no other operators provide low income schemes.
110. BT delivers the requirement through its BT Basic tariff which provides discounts for working-age recipients of Income Support, Income-based Jobseeker's Allowance and Income-related Employment Support Allowance. We have not reviewed the arrangements in Hull, but understand that there are very few basic tariff users among KC customers.

³⁷ Marmot Review: The Health Impacts of Cold Homes and Fuel Poverty, http://www.foe.co.uk/resource/reports/cold_homes_health.pdf.

111. The costs of these arrangements are borne by BT and not overtly passed on to other BT customers. The social telephony scheme is heavily subsidised (providing line rental landline customers for less than £5 per month) and is targeted at benefit claimants and those on low incomes.
112. We understand that social telephony tariffs are not currently available to mobile phone users on any network, many of whom are known to be in the most vulnerable groups, and using Pay As You Go tariffs to keep expenditure tightly controlled.

Lessons for the future

113. The utilities passported benefits offer vital reductions on tariffs to people on means-tested benefits and low incomes. It can be difficult to navigate the complexity of the provision because of the widespread variations, and take up is lower than it might be.

Lessons for the Future

The introduction of UC provides an opportunity to:

- join-up provision across the various providers to co-ordinate eligibility and target more effectively
- consider how to reach the most vulnerable households and ensure take-up of social tariffs
- find ways of making homes more energy and water efficient for those on low incomes
- consider issues of affordability for customers as well as eligibility
- consider how to support vulnerable people whose only access to telephony is via a mobile phone
- increase the affordability of key utilities such as water and energy

Summary

114. In this chapter we have presented those findings from the review which helps us to understand the current system of passporting. We are left in no doubt that the passported benefits we have examined are highly valued by those who receive them, and that they make an important contribution to children's health and well-being and to their educational and emotional development; and significantly increase the health and well-being and the quality of everyday life for adults and families who are out of work or living on a low income.

115. Everyone who contributed to our review endorsed the need for reform and for greater simplicity and better co-ordination of passported benefits, but stressed that their contribution to the benefits system should not be undermined or reduced during the process of reform and the move towards UC as a single, integrated benefit. All the passported benefits have their own independent, important policy objectives which should be maintained.
116. It was impossible to develop a hierarchy of the passported benefits according to their perceived value to recipients, since each benefit is regarded as important when it fulfils a specific need, even though that need may not be continuous and not relevant to everyone who is potentially eligible to receive it. We have, however, grouped the passported benefits in respect of their key objectives be it to:
- support children's education
 - ensure that everyone has access to health care when they need it
 - ensure access to justice
 - provide for a warm and affordable home environment and access to key utilities
117. In addition, all of the existing passported benefits serve wider policy objectives to:
- reduce child poverty, health inequalities and social exclusion
 - improve children's outcomes and the quality of family life
 - promote healthier lifestyles and better management of health conditions
 - increase access to justice for all
 - increase the affordability of key utilities such as water and energy
 - increase personal responsibility and participation
118. Moreover, they all seek to support the most vulnerable in our society. As such, they can be seen as congruent with the Coalition Government's desire to make work pay and to create a welfare system that is simple, fair and transparent. In principle, the policy objectives of individual passported benefits do not need to be threatened by the introduction of UC, but we do not underestimate the inherent challenges for DWP and for all the other departments, agencies and bodies who have the responsibility for these benefits in finding new, simpler and more joined-up ways of assessing eligibility, targeting those in need and delivering highly valued benefits.
119. One particular danger is that the policy objectives of the various passported benefits will be undermined if cost-neutrality limits eligibility or spreads the budgets too thinly. If this does happen, it has the potential to unwittingly undermine the policy objectives of welfare reform.

120. While considering the constraint of cost-neutrality, however, we found that it was extremely difficult to find robust data about the costs associated with current passported benefits. Not all government departments keep detailed data about the costs of providing services and benefits to people who access them via passporting from out-of-work benefits, although some schemes, such as Healthy Start vouchers, are carefully monitored in respect of their cost, and the complexity in provision renders it even more difficult to disaggregate costs. The nearest proxy appears to be the numbers of beneficiaries of each passported benefit, but even these statistics can be elusive.
121. There are a number of messages to be taken forward from our review of the current system when looking to the future of passported benefits within welfare reform and taking decisions about how they might be managed within the constraints of cost-neutrality. These are set out in the box below.

Key Messages from Our Review of the Current System Going Forward

1. Understanding and take-up of current passported benefits varies: options for the future should embrace simplicity and a more joined-up approach.
2. Consideration should be given to integrating passported benefits more effectively and the extent to which new approaches might be more beneficial for claimants, officials and providers.
3. Many of the passported benefits are preventative in that they seek to promote better education and health outcomes: as such they are universal benefits, important for everyone all of the time (for example, healthy meals, regular optical and dental treatment, warm homes).
4. Some passported benefits are necessary to address specific problems when they arise: as such they should be carefully targeted and available at the time they are needed (for example, the benefits associated with access to justice).
5. Passported benefits enable people to access the basic fundamentals essential to living and integrating in the UK today: they provide access to basic health care and food, to education and justice, to human rights, and more generally to social inclusion.
6. Eligibility to receive free school meals acts as a proxy for low income and deprivation, and therefore serves as a passport to other benefits such as the Pupil Premium: consideration should be given to whether this is the best proxy.
7. Given the serious impacts of caring on physical and mental health and well-being, passported benefits play a key role in enhancing carers' quality of life and social inclusion: support to access health and leisure services is considered crucial.
8. Benefits-in-kind are regarded as particularly beneficial since they ensure that certain benefits are available 'free' at the point of need. Charging for these goods and services might mean that they are not accessed, and cash payments within UC might not be used for the purpose intended.

122. We consider delivery mechanisms in more depth in our next chapter. It is important to note, however, that the vast majority of respondents to our review argued for retaining benefits-in-kind in any future system. Respondents argued for health benefits to be provided in-kind to ensure take-up and reduce the risk of worsening health conditions which themselves reduce people's ability to work and move off benefits. They also argued for the retention of free school meals as a benefit-in-kind, to ensure that children receive a healthy meal each day.
123. In responding to the challenges posed by the introduction of UC, different options may suit different passported benefits. Both the simplification of the benefit system and the SSAC review of passported benefits were welcomed by everyone who contributed to the review. Review respondents commented that this may be a once in a generation opportunity to reduce complexity and to tackle inequalities. In the next chapter, we consider the options for change that were put forward during the review and note the pros and cons in respect of the key policy objectives.

Chapter 3 Possible Ways Forward Under Universal Credit

Introduction

1. Our review of passported benefits has demonstrated their importance within the current system: they provide much-needed and highly-valued support to people living on benefits and low incomes. In the previous chapter we noted a number of messages which need to be considered in thinking about options for the future. One of the most important of these, about which there has been universal accord, is the opportunity afforded by the introduction of UC to greatly simplify the system of passporting.
2. In this chapter we build on the evidence presented about the current system of passporting to explore a number of potential options for key passported benefits under UC. During our review many respondents offered their own options for the future, and we have considered these carefully in the light of all the evidence available. Developing options has been an iterative process: while we have been conducting our review those responsible for administering and delivering passported benefits have been thinking about the challenges and opportunities presented by welfare reform and beginning to tease out what might be possible for them. An ongoing dialogue with officials across government, the devolved administrations and other providers has enabled us to distil those options which were suggested during the review which we believe could meet the Government's objectives of welfare reform as well as those integral to the passported benefits themselves.

Ambition and Reality

3. While the introduction of UC offers a unique opportunity to develop a simpler, more coherent system of additional support that meets the needs of low-income households, it is likely that radical change will take time and that there will need to be a stepped approach to reach the ultimate goal. In the longer term it may be important to rethink the whole notion of passporting under UC and look for more creative ways to ensure that people's needs are met via a more transparent and more effective social security system.
4. We have concluded that, at the present time, there is unlikely to be one option which can be applied to all passported benefits under UC and that, in the short term at least, a mixed economy is inevitable. We recognise, as did our respondents, that this raises challenges for the overall simplicity that can be achieved. Nevertheless, as we demonstrate, the current complexity can certainly be reduced and there are clear opportunities to implement a more rational and better-integrated system when UC is introduced.

5. It seems sensible, therefore, to put forward options that appear to be achievable in the short term, as well as options which could be considered in the future. We note that although UC will be implemented in October 2013, a transition period of four years to 2017 is envisaged before a steady state can be achieved. There is, therefore, a window of opportunity for everyone involved in delivering passported benefits to work towards greater simplification and more radical change, whilst at the same time protecting benefit claimants and honouring the policy objectives which are of wider significance.
6. A stepped approach to change rather than a big bang approach may well result in more complexity in the short term than is ultimately desirable in the longer term. It may also allow for more careful consideration of the longer-term options and take advantage of other inevitable developments in technology which will ultimately change the way claimants interact with the welfare system. The aim for UC going forward is that the majority of claimants will interact with DWP online and that the many innovations in online services will enable the IT system to be increasingly responsive to individual circumstances. While we have been keen to 'think outside the box' we have been mindful also of the constraints that influence the ability to innovate. Accordingly, we are bound to be realistic in the options we identify here. Nevertheless, we have detected a growing appetite for change and a willingness to consider radically different approaches to passporting within the social security system, particularly if current fiscal constraints are eased in due course.
7. Before looking at the various options for passported benefits within our four categories and highlighting their advantages and disadvantages, we discuss the issues that have to be balanced across the whole system.

Reducing Complexity, Making Work Pay and Maintaining Cost-Neutrality

8. Throughout the review we have regarded it as essential to take account of three factors:
 - reducing complexity
 - making work pay (while maintaining a range of policy objectives)
 - keeping costs neutral
9. The majority of respondents identified a tension between these three factors when considering future options and reluctantly accepted that a trade-off would be inevitable unless increased funding were to be made available.

It is extremely difficult to see how this project can meet all of the objectives set out in its terms of reference.

[Kirklees Council, Consultation Response, July 2011]

Cost constraints will lead to either a more complicated and difficult to understand system, or one which is even less generous in order to promote simplicity.

[Scottish Campaign on Welfare Reform, Consultation Response, July 2011]

10. During the review many people proposed what they regard as the 'best' options going forward in order to reduce complexity, manage costs and make work pay, while maintaining the various policy objectives.

Respondents' View of the 'Best' Options Going Forward

1. Ensure that everyone on UC is eligible to receive all the current passported benefits.
2. Extend free school meals to all (primary) children and free prescriptions to everyone as in the devolved administrations, irrespective of economic circumstances.

11. Both these options may be socially desirable: they would certainly ensure that the policy objectives associated with the individual benefits and that of making work pay are met and would greatly help in ensuring simplicity in the benefits system. Extending eligibility, however, has significant cost implications and would not fit within the constraint of ensuring cost-neutrality.
12. Respondents were realistic in their view that it is unlikely that these preferred options will be acceptable in the current fiscal climate because they would be far too costly to implement. Some people did suggest, however, that because extending entitlement would ensure simplicity, there would be savings associated with reduced administrative costs in different parts of the system, which should be factored in to the decision-making.

The only way to make sure that passported benefits support the UC – rather than undermining it – is to extend entitlement to passported benefits to all UC recipients. Benefit entitlement that does not distinguish between in-work and out-of-work families (which is the heart of the UC system) is the best way to make sure that ‘work pays.’

[Child Poverty Action Group, Consultation Response, July 2011]

If all passported benefits were given in full to all claimants of UC, this could make the system simpler.

[National Association of Welfare Rights Advisers, Consultation Response, July 2011]

One way to ensure that most children in low-income families get the benefits of a hot, healthy meal is to ensure that every child from a household in receipt of UC is entitled to free school meals.

[Child Poverty Action Group, Consultation Response, July 2011]

We recommend ensuring all UC recipients receive free school meals ... Extending entitlement in this way will be crucial to ensuring the Government’s intervention to make work pay is met, whilst also ensuring that children in low-income families have access to healthy lunch time meals.

[Joint Response on FSMs: Children’s Food Campaign, The Children’s Society, Citizens Advice, Family Action and Save the Children, Consultation Response, July 2011]

Our preference is that all Universal Credit claimants would be automatically exempt from prescription charges.

[Disability Benefits Consortium, Consultation Response, July 2011]

13. Concerns were expressed throughout our review that the emphasis on cost-neutrality could lead to the adoption of alternative options which are either less generous than now, in order to satisfy both cost-neutrality and the drive for simplicity, or more complex, because they need to satisfy all three criteria. Respondents stressed that the value of benefits such as school meals, prescriptions and other health items is so significant that if they are not designed effectively under UC, they could easily undermine the drive to reduce complexity in the system and to make work pay, by re-introducing cliff-edges. Moreover, these cliff-edges might not be softened as they are now once Working Tax Credit is removed under UC. When those people currently receiving Working Tax Credit are migrated to UC, many of them will no longer be eligible to receive UC because of the capital limits. This will also remove their entitlement to passported benefits. We have taken such concerns seriously while thinking about the various options that appear to be the most realistic in the immediate future.

14. Taking account of the respondents' 'best' options and the concerns expressed about the impact of trade-offs, we noted a number of criteria against which the potential options for passporting might be assessed.

Key Factors to Take Into Account in Developing Options

Evidence from the review suggests that any option proposed should:

- be aware of the dangers of increasing complexity and diluting a wide range of policy objectives in order to retain cost-neutrality
- avoid limiting and reducing eligibility in order to retain cost-neutrality – spreading the current resources more thinly or creating losers
- avoid re-introducing cliff-edges via the introduction of income thresholds
- take account of the anticipated increase in the numbers of people who will make a claim for UC compared with the numbers currently claiming benefits and tax credits
- improve the targeting of passported benefits so that they reach all those who need them
- consider the opportunities to extend eligibility criteria further up the income scale, initially to protect those currently eligible to receive Working Tax Credit
- keep administrative costs to the minimum
- make it as easy as possible to identify potential entitlement, demonstrate and verify eligibility, and process applications
- ensure that Real Time Information does not mean that people move in and out of eligibility for passported benefits, thus creating a revolving door of endless fluctuations in income

Using technology

15. A number of options, both in the short term and long term, refer to the increased use of technology and the potential benefits of embracing it. In a rapidly advancing technological world, the process of making a claim, assessing eligibility, and benefit delivery are likely to undergo significant change, because of the relative ease of attaching Apps to computers and mobile phones, for example. The Real Time information system being built for the delivery of UC is expected to have the capacity to take advantage of those applications, and on-line benefit claiming will transform the processes involved in the long term.

16. Technology also has the potential to substantially reduce administration costs, thereby “targeting money where it is needed as opposed to in bureaucracy.”³⁸ This kind of consideration is critically important to companies offering social tariffs on utility bills who pass on the cost of these tariffs to their other customers. Representatives of WaterUK were particularly keen to stress that support for social tariffs amongst customers is somewhat dependent on the money being spent directly on providing assistance to those needing support rather than on the administration of the tariffs. Streamlining systems to channel money to beneficiaries is an important goal in the commercial sector, just as it is for local authorities and government departments delivering passported benefits. This must also be a key goal in the overall quest for simplicity in the benefits system. We are well aware that not everyone will be able to take advantage of on-line applications and that other more traditional approaches will have to be available, at least in the short term. The DWP is already in consultation with stakeholders and providers in order to find appropriate ways to increase the use of technology in the future, acknowledging that the new system of delivering welfare benefits will need to be operational well into the future.

Defining Eligibility, Ensuring Appropriate and Effective Delivery and Managing Withdrawal

17. While many of the issues discussed during our review relate to the need to balance complexity with costs and the policy objective of making work pay, other issues relate to the need to pay attention to eligibility criteria, delivery mechanisms and the withdrawal of passported benefits.

Eligibility, Delivery and Withdrawal

Key questions to be addressed include:

1. Whether to base eligibility on targeting the same people/households as at present, or to support the same number of people/households as now.
2. Whether to seek more joined-up approaches to eligibility, thereby reducing complexity and increasing transparency and fairness.
3. Whether to continue with different kinds of benefits – benefits-in-kind, cash benefits, and discounts on fees and social tariffs – or whether to seek greater integration by cashing-up some passported benefits, for example, and including them within UC awards or providing vouchers for specific benefits.
4. Whether to make work pay by gradually withdrawing passported benefits as income increases via a taper (as in UC), via run-ons, or via other options.

³⁸ NAWRA, Consultation Response, July 2011.

Defining eligibility

18. Defining eligibility in the future is a key concern for all those responsible for passported benefits. Most respondents to our review see the introduction of UC as an opportunity to review eligibility criteria and increase the take-up of passported benefits. Extending eligibility criteria within the current fiscal climate is problematic, and a number of dilemmas have to be resolved. Perhaps the biggest dilemma for government departments is how to encourage take-up of their passported benefits without increasing the total number of households eligible for the benefit. If only the same people who currently receive the benefits now are targeted, then take-up will not be increased. If targeting the same volume of households is the key objective, then there could be winners and losers under UC – a consequence that might be uncomfortable at the point of transition. We look in more detail at this aspect of passporting under UC in relation to each of the key passported benefits.

Delivering passported benefits – the pros and cons of cashing-up

19. In terms of delivery mechanisms, review respondents had a good deal to say about the extent to which the existing passported benefits should or could be cashed up within UC, and whether current benefits-in-kind should continue to be in kind. One of the simplest ways forward under UC would be to cash up the passported benefits and add more elements to the UC award in much the same way as childcare costs are being added in to the gross award. We look at this approach in more detail in respect of the key passported benefits when we put forward the various options for them. However, views from our respondents were mixed in respect of the principle of cashing up, many much preferring the offer of dedicated benefits-in-kind and others more open to the notion of cashing-up. The latter acknowledged that cashing-up may be a step too far in the short term but it could be reconsidered for some benefits in future.
20. Some respondents acknowledged the advantages of cashing-up: it allows the benefit to be withdrawn smoothly and maximises families' ability to manage their own income. But even if it were possible to translate benefits-in-kind to a cash element, we were alerted to the potential disadvantages of rationing the cash out across the weeks (when in reality school meals are offered for 38 weeks a year and the need for prescription medicine may be irregular but costly when it is needed), and not being able to ensure that the money is used for the purpose for which it is provided. Both these concerns can be addressed, however, and we return to them as we discuss specific options. During the review, we heard about the perceived advantages and disadvantages of cashing up passported benefits.

The Perceived Pros and Cons of Cashing-up Passported Benefits

The advantages:

- it promotes simplicity
- it meets the objective of making work pay
- it enables the benefit to be withdrawn smoothly (via a taper)
- it enables households to take personal responsibility for budgeting
- it allows choice about how to spend the money

The disadvantages:

- the potential for misuse and not using the money as expected, although 'labelling' specific elements means they are more likely to be spent as intended
- it could be unhelpful if a household payment (under UC) is not paid to the partner with responsibility for particular aspects of the family's budget (for example, school meals, healthcare)
- it is difficult to assign a cash value to all passported benefits and to ensure that the amount keeps pace with real prices
- many passported benefits are needed infrequently, rather than on a regular weekly basis, and may have a high cost at the point of delivery
- it could undermine the policy objectives of the individual passported benefits
- it could allow creditors to regard benefits previously delivered in-kind as income for debt recovery purposes
- it could mean that passported benefits are included in conditionality rules and/or be included in the benefit cap calculations under UC

21. The benefit recipients who commented on how passported benefits might be delivered were in broad agreement that benefits-in-kind or vouchers are the best way forward rather than cashing them up, so as to ensure that the benefit is used as intended and not abused.
22. While some respondents expressed strong views about the option of cashing up some, if not all, of the passported benefits, others could see the benefit of adding them into UC, but providing vouchers rather than a cash amount. Overall, however, there was little consensus as to whether this would be a better approach. Some consultation respondents mentioned the possible stigma of using vouchers and the danger of losing them, and others acknowledged the ease of claiming and using vouchers. Vouchers are already used effectively in the delivery of Healthy Start, for example, and we were not given any indication that these vouchers are perceived to carry a stigma.

23. Another variant for adding some passported benefits into UC that was discussed would involve people making claims (on a monthly basis) for specific benefits such as school meals or prescriptions (in much the same way as childcare costs will need to be recovered via UC). Generally, however, respondents viewed this option as unhelpful. They pointed to the difficulty some low-income families would have simply affording to pay for school meals on a regular basis, or several prescription items at any one time, and keeping detailed records of what they had spent even if they could afford to pay and reclaim the costs later.
24. Respondents took a different view to paying for travel or car parking and claiming costs back via UC on a monthly basis. For relatively small sums of money this approach to including some elements of passporting within UC and asking claimants to recover them later was regarded as perfectly acceptable. There may be an opportunity for a more joined-up approach in respect of claiming for transport costs, for example, across the various passported benefits, within UC.

Withdrawal – no cliff-edges

25. There was complete agreement amongst review respondents that passported benefits should not be lost entirely when people enter the workforce. The benefit recipients interviewed also pointed out that low-income workers may still struggle financially and should not lose out on all the benefits of passporting and face a cliff-edge when they move into work. They also expressed a preference for withdrawal via a tapering of passported benefits rather than progressive withdrawal of specific passported benefits at different income levels – sometimes referred to as the waterfall effect, although we have not found this to be a particularly helpful descriptor. Although a phased withdrawal might be easier for the claimant to manage, it is likely to be more administratively complex and run counter to the desire for simplicity in administering UC. The reason given for this preference was that different people have different priorities in respect of passported benefits, depending on their needs and circumstances, and the decision as to how to phase withdrawals via a ‘waterfall’ method would suit some people and not others. Tapering was regarded as both fairer and easier to manage.
26. Some respondents also referred to the potential problems with tapering passported benefits if they were to be cashed up and added in to the UC award. We return to this issue when we look at the specific benefits. Some raised a specific concern about the possibility of creating a double taper (although this again is solvable) and increasing marginal deduction rates. One solution offered by CPAG is to taper passported benefits only after UC entitlement has expired, although this clearly has cost implications.

27. Allowing entitlement to a specific passported benefit to run on for a period after eligibility has ceased can avoid the sudden loss of a passported benefit, and we look at this option in more detail in the context of the various options proposed. Again, respondents to the review regarded run-ons as a helpful way of smoothing cliff-edges and giving people time to adjust to the withdrawal of a specific benefit, such as school meals or prescription charges.

Education-Related Benefits

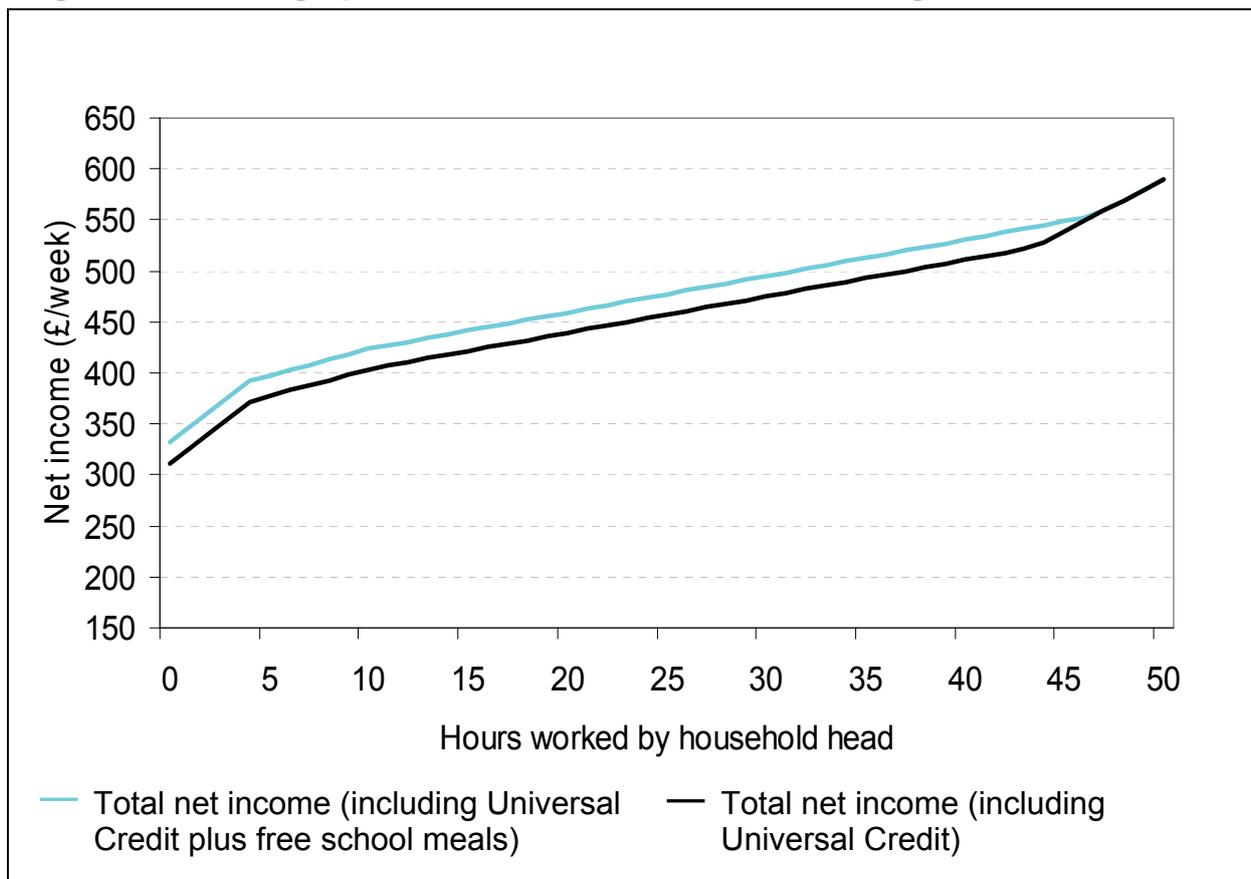
28. As we noted in Chapter 2, for parents of school-age children the passported benefit of greatest value, both financially and in terms of children's wellbeing, is that of school meals, currently delivered as a benefit-in-kind. A number of other passported benefits such as school clothing grants, school milk, transport to and from school and residential school trips may be linked to the receipt of school meals in some areas – hence free school meals act themselves as a passport to other benefits. The Pupil Premium paid to schools is also linked to free school meals. The eligibility for free school meals also acts as an indicator of deprivation. Changing eligibility under UC has far-reaching implications, therefore.
29. Deciding how to manage free school meals under UC has critical consequences for families, for children's health and wellbeing, and for the welfare system as a whole. As we have noted earlier in the chapter, many respondents to our review argued for school meals to be provided free to all children whose parents receive UC or, indeed, to all children, especially those of primary school age. We are aware that Ministers in the Coalition Government and, indeed, in the previous Labour Government, have been sympathetic to calls to extend the current eligibility criteria: nevertheless, the Government is unlikely to consider this option as being affordable at present. What then are the possible options under UC?

Cashing-up school meals within UC

30. From the perspective of making work pay, the Government regards the removal of cliff-edges as an important goal. Perhaps the simplest way of avoiding a cliff-edge in respect to school meals is to cash up school meals and add them as an education/child element within UC. If this approach were taken, then the taper proposed under UC would gradually reduce the amount paid. This rather radical option would change school meals from being a benefit-in-kind and place it as an element within UC that claimants with school-age children could apply for as part of their claim. The value of the school meals could be calculated for each child and the 38 week entitlement averaged across the year. Under this system, school meals could be passported to all households in receipt of UC who wished to take up school meals, but the amount of support provided would be reduced (withdrawn) as part of the UC taper. This approach would also support the ambition that passported benefits should not add to complexity, although there may well be cost implications – particularly if a separate income threshold was not imposed before the end of the UC taper.

31. Figure 3.1³⁹ illustrates the cashing-up of free school meals under UC with no earnings threshold imposed. The value of school meals is simply added in to the gross award for families with school age children and subject to the taper. This hypothetical example illustrates how this would affect a lone parent with two children.
32. The lone parent's UC and, therefore, the value of the school meals does not start to taper until the parent is earning around £650 per week (in this particular example), as this is the point at which UC would have completely tapered off had the value of school meals not been added to the gross award.

Figure 3.1 Cashing-up of free school meals with no earnings threshold



33. In theory, school meals could be cashed up under UC fairly easily. Unlike many other passported benefits, they are delivered daily during the school year and their value is fairly predictable. The Real Time IT system could calculate entitlement and pay the element automatically. There would be a number of practical issues to consider, however.

³⁹ This chart has been produced for SSAC by DWP. The analysis has been verified within DWP but has not been independently verified.

Reference: DWP, Universal Credit Hypothetical Household Model, 2014/15 (2011 prices)

Cashing-Up School Meals – Practical Issues

In order to cash-up school meals a number of issues would need to be resolved:

- how to reflect local variations in the provision and cost of school meals
- how to ensure that school meals are taken and that only those actually provided are paid for (a reporting requirement?)
- how to indicate to parents the level of support being provided for school meals under UC
- how this would be delivered to meet the requirement that any option for providing free school meals must be designed to be cost-neutral
- how to maintain the Real Time IT system so that the payment of an education/child element is a true reflection of the cost for school meals

34. Providing these issues could be resolved, it would then be for parents receiving UC to purchase school meals in the same way as other parents do now. We recognise that this option could have the potential to undermine the policy objectives central to the provision of school meals unless reporting requirements are introduced to ensure that the money is spent as intended. It is important to note that very few review respondents regarded cashing up school meals as a viable or desirable option.
35. The overwhelming consensus from our review is that school meals should remain a benefit-in-kind, primarily because they are intended to have a direct impact on children's educational wellbeing and health, and simply cashing them up would not ensure that children receive a healthy meal every day in term time unless a checking mechanism was established. This in itself could be both complex and costly.
36. At the present time, those concerned about the continued importance of school meals do not have the confidence that children in low income families, where the money available is sufficient only to cover basic needs, would automatically benefit if parents are simply given extra money within UC, particularly once this element begins to be tapered away. Some respondents commented that children may go hungry if the school meals element is not spent as intended.

Cash payments will not ensure that children receive the intended benefit. Food is often the first economy when bills have to be paid.

[UNISON, Consultation Response, July 2011]

We are concerned that fewer parents may take up school dinners for their children, leaving a potentially vulnerable group of pupils without a healthy and nutritious lunchtime meal.

[Southampton Primary Headteachers' Conference, Consultation Response, July 2011]

We would have concerns if cash were provided instead of free school meals as the money could be spent on other needs, and the school could face an increase in the number of parents who fail to pay for school meals.

[Lambeth Council, Consultation Response, July 2011]

37. Not all respondents to the review were opposed to some kind of cashing-up of school meals within UC **providing** this does not jeopardise the important educational policy objectives. They commented that: cashing-up would put the responsibility on parents to decide how best to provide for their children's wellbeing; and a system of making monthly claims would avoid any stigmatisation of children in the way in which receiving school meals as a benefit-in-kind has the potential to stigmatise.

If these people were given cash instead of free school meals, they would have the choice to provide lunch-boxes. They would also have an income that could be used towards food in the holidays and if the child was off school sick.

[Citizens Advice Wales, Consultation Response, July 2011]

[Cash payments] would remove some of the stigma associated with in-kind (but essential) benefits such as free school meals.

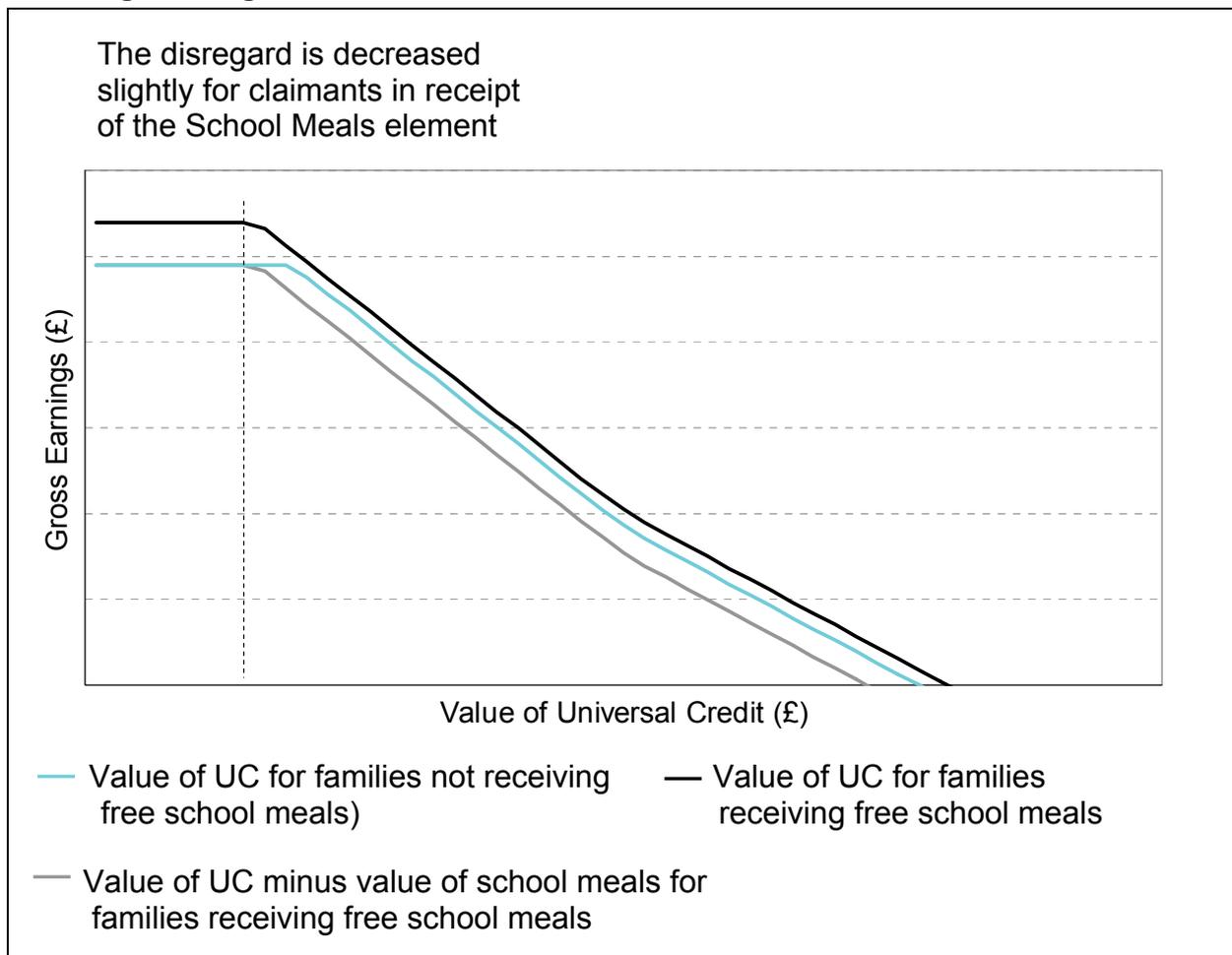
[Equality 2025, Consultation Response, July 2011]

Reduced earnings disregard model

38. At our SSAC Stakeholders Event in November 2011 a reduced earnings disregard model was discussed. This would use a cashed up approach but would help to constrain costs, as parents, other than those on the lowest incomes, would contribute to the cost of school meals.

39. This model would involve a nominal reduced earnings disregard for each school-age child up to a maximum of three children,⁴⁰ for households on UC in receipt of the school meals element (Figure 3.2).⁴¹ A cash value equal to the cost of the school meal could be added to the gross UC award, but there would be a reduction in the earnings disregards for UC to make it cost-neutral. The school meal element could be paid either to all families with school-aged children, or parents could choose whether or not to receive support for school meals beyond the earnings disregard.
40. Concerns were raised, however, about the potential complexity for families who would need to choose between receiving support for school meals and a higher disregard, and the Government would need to consider the impact of local variation in meal costs, since parents in low-cost areas would pay a greater proportion of the cost than parents in high-cost areas.

Figure 3.2 Reduced earnings disregard model showing nominal reduced earnings disregard for school meals⁴²



⁴⁰ This reflects the fact that UC earnings disregards do not take account of more than three children in a family.

⁴¹ This figure was provided for the review by the Joint Response on Free School Meals.

⁴² The 'x' axis shows the way in which UC will decrease as earnings rise.

Using the childcare template within UC

41. One way to address the potential risk to the policy objective of a simple cashed-up approach as described above, would be to add school meals as an element within UC and enable parents to claim back the money spent on school meals on a monthly basis, using the model developed for the payment of childcare costs as a template. There are clearly some parallels with the childcare element within UC. Under UC, parents will be able to provide information about their childcare provider(s) and report the childcare costs they have paid out during the UC monthly assessment period. The childcare costs reported are linked to the cash paid during the UC assessment period.
42. The objectives set by DWP for the childcare element in UC are that it:
 - is widely accessible for all those who need it
 - supports the financial costs for those on lowest earnings
 - incentivises take-up
 - eliminates cliff-edges so that the financial benefit of work is preserved at all levels of earnings
 - ensures transparency of payment
43. The childcare element allows parents to claim up to 70 per cent of a maximum limit of £760 for one child and £1,300 for two or more children per month for childcare costs incurred. This is then clearly labelled within the UC statement. The full value of the element is maintained until the rest of UC is tapered away, so it is added to the award, remains constant during UC eligibility and would be exempt from sanctions calculations.
44. Using this model as a template, the policy objectives of providing school meals could be protected since parents would claim for the actual costs incurred every month all the time they are eligible for UC. Some respondents commented that it might incentivise take up and encourage parents to continue to buy school meals for their children, but this would need to take into account the constraint of cost-neutrality. Within this model the Government would need to consider how the detailed requirements of such an approach would work to ensure that the amounts claimed had actually been spent on school meals, and a checking mechanism to avoid fraudulent claims would be necessary within the system. Review respondents suggested that this kind of monthly claiming could be administratively burdensome for parents who would need to keep a detailed account of the meals actually taken. Concerns were also expressed that parents would have to be able to afford an up-front outlay for the meals, which could be a significant sum in large families. Care would need to be taken not to increase administrative burdens on parents which could have an adverse impact on take-up.

45. The Government would also need to consider the optimum approach to the transfer of payments required for this model to work in an effective and streamlined way. For example, parents would either need to have payment in advance for the cost of the school meals, or a real time transfer of funds would need to be made directly into the claimant's bank account to avoid an up-front outlay for the meal. Direct payments to local authorities could also be considered for those families who have more difficulty managing their finances. Appropriate mechanisms would need to be established to ensure funding was spent on the school meal together with systems for the seamless transfer of funds. Providing these administrative issues could be resolved, this approach could ensure that pupils are given a healthy nutritious meal at school, whilst mitigating against a cliff-edge and supporting the aim of UC to make work pay.
46. Cashing-up school meals and looking for innovative approaches to deliver the policy objective other than as a benefit-in-kind will require a good deal of thought and detailed modelling, so we have looked carefully at other options that were put to us as being more achievable in the short term. We turn to these next.

Other Options

47. Using the childcare element template is but one option for a cashing-up approach to school meals, however. There are a range of delivery methods that could support a cashed-up approach and a number of respondents highlighted these as important options to consider for the future.

Delivery Options for School Meals to Support a Cashing-up Approach

1. A card payment scheme (rather than a direct cash payment within UC) which carries entitlement and ensures the cash value is used exclusively for purchasing school meals.
2. Payment from DWP direct to Local Authorities (and schools) rather than via the UC claimant.

48. A card system is already in use in a number of schools, primarily secondary schools, and is likely to be extended over the next few years. It would incur quite substantial developmental costs but could provide a smart and efficient system. We note that in some schools, payment for school meals is managed via a child's fingerprint. In future these kinds of creative approaches could be less expensive to develop. The School Food Trust would welcome an expansion of the cashless system, noting that this would have additional benefits such as reducing stigma for children receiving school meals (and for their parents).

Setting an income threshold for eligibility

49. A relatively simple approach in the short term would be to determine an income threshold within UC below which eligibility for free school meals will be automatic. This could be at a level which is similar to that provided by the current means-tested benefits and tax credits. It is clearly a matter for Ministers to decide where the threshold should be, and we expect that the Department for Education will want to model this approach. In reality, this approach would reflect the current system of assessing eligibility for free school meals. There are a number of advantages and disadvantages associated with this option.

Income Threshold for School Meals

Advantages:

- simple to communicate
- easily understood by claimants and advisers
- cost-neutrality achieved if threshold set to a limit which supports the same number of children as the present system
- relatively straightforward to deliver via UC and for local authorities and schools to administer as now
- current Electronic Checking System could be retained (which will be welcomed by local authorities and schools)

Disadvantages:

- although there may be winners, there may also be losers as a consequence, which the Department for Education would need to consider
- it could be a potential challenge to making work pay as it retains a cliff-edge when the income threshold is reached, which will not be offset via tax credits as now
- it impacts on family budgets when it is withdrawn unless other discounts are offered by local authorities and schools

50. Table 3.1⁴³ illustrates the potential impacts of this approach within UC.⁴⁴ It shows for any given household the additional earnings needed to compensate for the loss of free school meals under UC. The first column indicates the number of children receiving free school meals; the second column indicates the average value of free school meals per annum; the third column takes account of the 65 per cent UC taper; and the fourth column takes account of the impact of tax and national insurance contributions on top of the taper (76%).

⁴³ This table was provided for the SSAC Review by Deven Ghelani, Senior Researcher, Centre for Social Justice.

⁴⁴ The income replacement tables in Annexe 6 indicate how this model impacts on different types of household.

51. The table demonstrates that to compensate for the loss of school meals for two children in primary school (value £714.40 pa), gross earnings, taking account of tax and national insurance, would need to rise by £2,976.67. The cliff-edge is substantial, which explains why the option of an income threshold was not regarded by respondents as a popular solution.

Table 3.1 Income replacement requirement when free school meals are withdrawn via a cliff-edge under UC: the rise in annual earnings needed to compensate for losing entitlement

Total Number of Children	£ Value of free school meals	£ Gross Earnings (65%)	£ Gross Earnings (76%)
One	366.70	1,047.71	1,527.92
Two	733.40	2,095.43	3,055.83
Three	1,100.10	3,143.14	4,583.75
Primary School Age			
One	357.20	1,020.57	1,488.33
Two	714.40	2,041.14	2,976.67
Three	1,071.60	3,061.71	4,465.00
Four	1,428.80	4,082.29	5,953.33
Secondary School Age			
One	376.20	1,074.86	1,567.50
Two	752.40	2,149.71	3,135.00
Three	1,128.60	3,224.57	4,702.50
Four	1,504.80	4,299.43	6,270.00

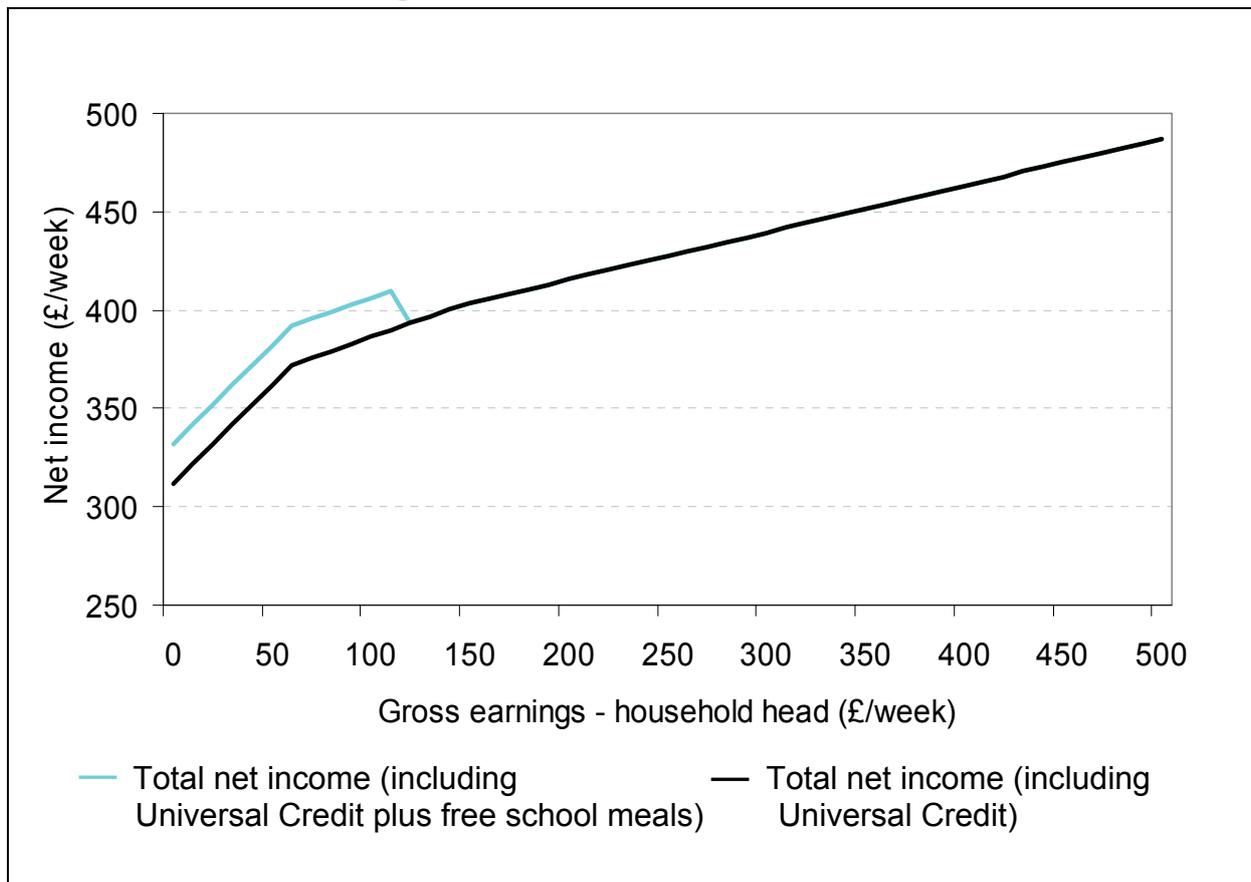
52. Some consultation responses highlighted the potential challenges of this approach for making work pay and it was generally regarded as unhelpful. This concern would be escalated if other passported benefits were withdrawn at similar income levels. Moreover, if the threshold were applied equally to all households this would create an even bigger cliff edge for families with several children.
53. Figures 3.3 and 3.4⁴⁵ illustrate the impact if a threshold is imposed at £6,000. Taking a worst case scenario, Figure 3.3 illustrates what could happen to a lone parent household with two children and housing costs when free school meals are withdrawn. Again, taking a worst case scenario, this parent would need to work for around an extra eleven hours per week at the National Minimum Wage to recover the lost eligibility for free school meals. A similar family with no housing costs would have to work only three extra hours to recoup the difference.

⁴⁵ These charts have been produced for SSAC by DWP. The analysis has been verified within DWP but has not been independently verified. Reference: DWP, Universal Credit Hypothetical Household Model, 2014/15 (2011 prices).

UC aims to ensure that households gain from each extra pound earned. Withdrawing entitlement at a fixed income/threshold would have a disastrous effect on work incentives and family budgets by creating a cliff-edge which could result in families losing money if their income rose beyond this point. Under UC, unlike the current system, there will be no tax credits or equivalent to compensate for the loss of free school meals.

[Joint response on Free School Meals, July 2011]

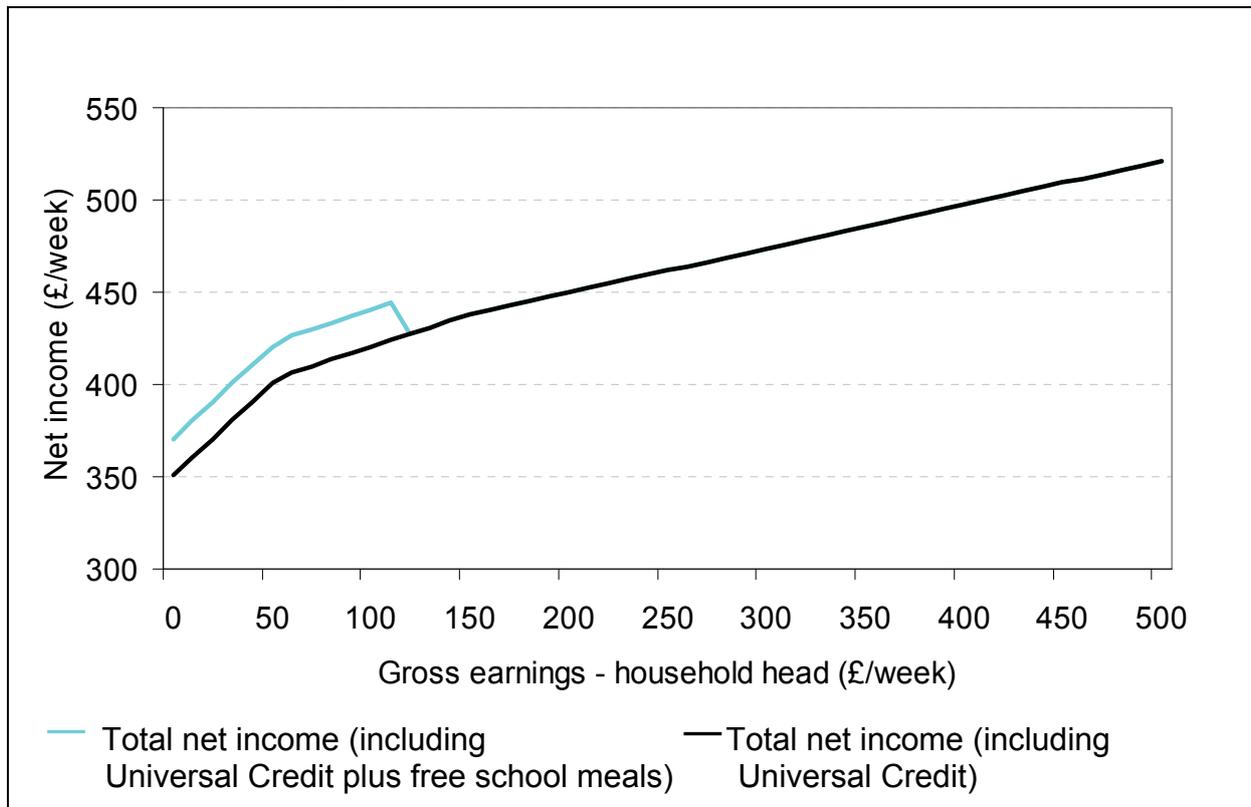
Figure 3.3 Income threshold for free school meals – lone parent household with two children and housing costs



54. Figure 3.4 shows the effect on a household comprising a couple with two children and housing costs where one parent is working full-time at the average wage⁴⁶ when free school meals are withdrawn at an income threshold of £6,000. This household would need to work for around an extra seven hours per week to recover the loss.

⁴⁶ Average wage is £11.42. Full-time work is between 40 and 50 hours per week.

Figure 3.4 Income threshold for free school meals – couple household with two children and housing costs



55. We have looked again at the two illustrative case studies that we used in Chapter 2 to demonstrate the cliff-edge faced by people when they move into part-time work on the minimum wage and subsequently lose most of their passported benefits under the current system.
56. The figures for the passported benefits are based on hypothetical thresholds under UC. For all education benefits we have assumed a threshold for withdrawal at £6,000, and for all other Passported benefits we have assumed a threshold for withdrawal at £16,000. This is therefore simply an illustration and not based on actual UC assumptions. Free school meals calculations are based on the average value of free school meals in 2011/12. The Universal Credit Hypothetical Household Model was designed by DWP to compare the amounts that benefits households can receive under the current benefit system with the amounts they will be able to receive under Universal Credit. The model is based on 2014-15 benefit rates and therefore includes the impact of the Spending Review 2010. Outputs can be based on either 2011 or 2014 prices. Therefore, the benefit rates will never be identical to the actual 2011-12 benefit rates; the outputs merely show 2014-15 benefit rates in 2011 or 2014 prices. This is so that UC can easily be compared to the current benefit system. Under UC, the cliff-edge is lessened, although imposing income thresholds on passported benefits still imposes some cliff-edges.⁴⁷

⁴⁷ The illustrations were prepared for SSAC by DWP using the DWP Universal Credit Hypothetical Household Model. Tax and Benefit rates are based on assumed rates for 2014/15 and are expressed in 2011 prices. The NMW rate is based on the actual rate for 2011/12. DWP, Universal Credit Hypothetical Household Model, 2014/15 (2011 prices)

Miss Smith – illustrative example

Miss Smith is a lone parent with two children aged 11 and 6

Her situation now:

When she is out of work under the current system she receives **£304.70** a week from benefits (including Council Tax Benefit), plus passported benefits to the cashed-up value of **£42.57** a week, giving her a total income of **£347.27**. When she takes a part-time job (16 hours a week) at the NMW she brings in **£384.60** a week but immediately loses most of her passported benefits. Her gains to work are just **£43.06** a week.

Her situation under UC:

Under UC, when she is out of work Miss Smith will receive a UC payment of **£291.86** (see Table 3.2) and passported benefits to the cashed up value of **£42.57**. She will also receive Council Tax Benefit (not included in UC).

When Miss Smith gets a part-time job (16 hours a week) at the NMW her income will be **£365.27** (excluding Council Tax Benefit) and she retains **all** her passported benefits. Her gains to work will be **£73.41**.

Table 3.2 Miss Smith’s weekly income on benefits (except Council Tax Benefit) and in part-time work under UC

Income from work and benefit	Out of work value £ per week	In part-time work value £ per week
Gross income from work	0.00	97.28
UC Standard Allowance	67.81	236.28
Housing element	80.00	
Child element	112.34	31.71
Child benefit	31.71	
Total	291.86	365.27
Passported benefits	42.57	42.57
Total weekly income	334.43	407.84

57. Under UC, Miss Smith would have gains to work of **£73.41** if she works part-time at the minimum wage. If the school meals are withdrawn at an income threshold of £6,000, Miss Smith will lose her eligibility for these when she increases her work to 19 hours a week at the National Minimum Wage and would need to earn a gross income of £116 a week to recover the loss. If free prescriptions were to be withdrawn at an income threshold of around £16,000 per annum, Miss Smith could work 51 hours a week at the National Minimum Wage before she would lose these as a passported benefit.

Mr and Mrs Jones – illustrative example

Mr and Mrs Jones have three children aged 11, 5 and 2.

Their situation now:

When they are both out of work, they receive **£405.60** per week (which includes Council Tax Benefit and passported benefits to the cashed-up value of **£40.91** per week).

When Mr Jones takes a part-time job at the National Minimum Wage, his weekly income increases to **£486.83** per week but he loses most of his passported benefits. As a result his gains to work are **£40.32**.

Their situation under UC:

With both parents out of work, the Jones family’s weekly income will be **£394.43** (excluding Council Tax Benefit) and passported benefits to the cashed-up value of **£40.91**, giving them a total weekly income of **£435.34** (Table 3.3).

When Mr Jones takes a part-time job, working 24 hours a week at the National Minimum Wage, the family’s new weekly income will be **£483.68** (excluding Council Tax Benefit). They lose most of their passported benefits to the value of **£27.70** a week, retaining eligibility for dental care, eye care, the Warm Home Discount, WaterSure and BT Basic. Their gains to work are **£61.55** a week.

Table 3.3 The Jones’ weekly income under UC and in part-time work⁴⁸

Income from work and benefit	Out of work value £ per week	In part-time work value £ per week
Gross income	0.00	145.92
UC Standard Allowance	106.44	293.89
Housing element	80.00	
Child element	163.68	
Child benefit	44.31	44.31
Tax and NI	0.00	-0.44
Total	394.43	483.68
Passported benefits	40.91	13.21
Total weekly income	435.34	496.89

⁴⁸ Under current WTC rules

58. Council Tax Benefit is excluded from all the calculations relating to UC as it is not included in the UC award. While both families might be better off under UC, an income threshold of £6,000 in respect of free school meals does in fact mean that there would be a cliff-edge at 19 hours for someone working at the National Minimum Wage. Given that the objective is to remove cliff-edges, these illustrative examples support the need to think more radically about how free school meals and their associated benefits might be managed under UC.

Ameliorating the potential disadvantages of an income threshold

59. What can be done to ameliorate the potential disadvantages? There were a number of proposals put forward during the review.

i) Earnings Disregard Threshold

60. Many consultation respondents criticised the income threshold approach because it fails to tailor the approach to household circumstances and the number of school-age children. One suggestion utilises the option of earnings disregards, which can be manipulated to be more or less generous. Such an approach has the advantage of being able to reflect household composition but still retains a substantial cliff-edge at a relatively low income threshold.
61. There are also some concerns about fairness under an earnings disregard approach, due to the ways in which earnings disregards are calculated between different types of household. Respondents pointed out that neither of the threshold approaches addresses the core problem of making work pay as a result of the removal of all entitlement to free school meals at a particular income point.

ii) Income Threshold with Run-ons

62. One way in which the impact of an income threshold can be smoothed is via a run-on period after the cut-off point has been reached. Eligibility would be extended for a fixed period in order to provide a financial cushion during which families can plan for the loss of the benefit. Moreover, a run-on might help to ameliorate some of the potential impacts of a Real Time IT system if claimants fall in and out of eligibility from month to month.

Pros and Cons of Allowing a Run-on

Pros:

- avoids an immediate cliff-edge when the income threshold is reached and provides a period of grace to encourage families to continue with school meals
- allows schools to plan school meal entitlement from term to term and avoid the possibility that children will drop out of school meals during the term

Cons:

- the cost of providing a run-on within a cost-neutral budget might reduce the level of the income threshold – a trade-off which would need to be carefully examined since it could undermine the policy objective
- if the income threshold is reached just before the end of the school year, there would need to be flexibility to allow a run-on to the following term, in order to avoid a sudden cliff-edge

63. We note that some schools and local authorities have attempted to encourage the take-up of school meals by offering flexible meal deals.⁴⁹ Some local authorities have offered meals for £1, and/or reductions for siblings or by year group⁵⁰ and have recorded a positive impact on take-up. Local authorities could soften the cliff-edge once eligibility for free school meals is lost by offering subsidised meal deals, perhaps at the end of a run-on period.

iii) Income Thresholds and Stepped Tapering

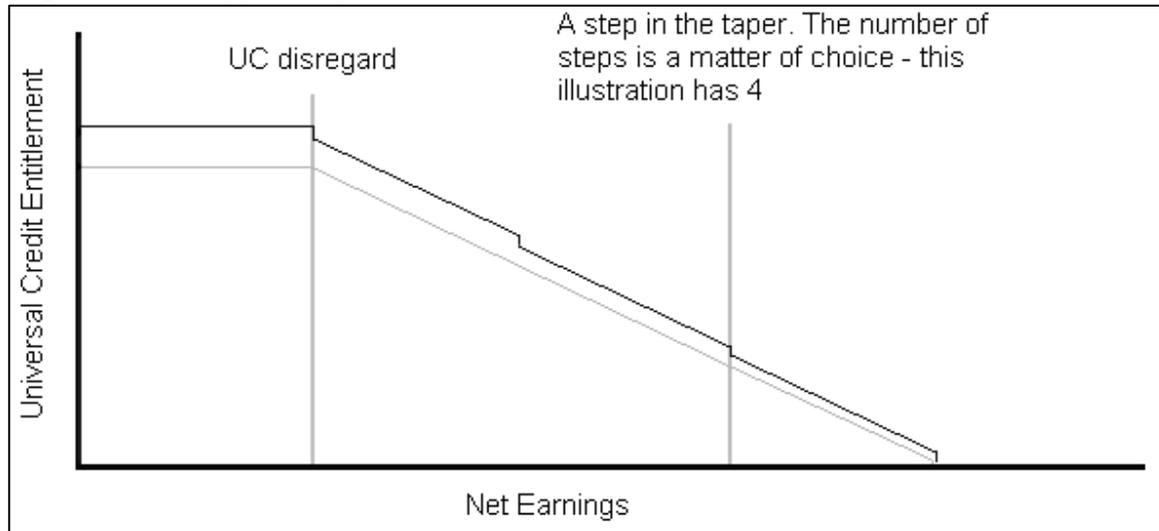
64. It has been suggested during the review that concerns about income thresholds could be addressed by tapering the benefit. This approach would be based on a series of thresholds, at different income bands. Instead of all the meals being free, they could be available for part of a week or up to a certain value and parents could choose whether to pay for meals on the other days.

⁴⁹ Flexible charging was introduced in the Education Act 2011 – <http://www.legislation.gov.uk/ukpga/2011/21/notes/contents> Section 35 (*subsections (2)(b) and (3)(b)*) repeal the requirement that any charge made for the provision of “milk, meals and other refreshments” in a school must be the same for every person for the same quantity of the same item. The repeal of this requirement will enable local authorities and governing bodies in England to charge less for school meals provided to children in reception classes at the start of term or children of families on low incomes not eligible for free school meals, in order to encourage them to take school meals. Use of flexible charging will be optional and subject to local circumstances. This change will not affect the provision of free school meals (and free milk) to eligible pupils. The change will come into force from February 2012.

⁵⁰ <http://www.education.gov.uk/inthenews/inthenews/a00201373/new-powers-for-schools-to-beat-the-takeaways>.

65. Figure 3.5⁵¹ illustrates how a stepped taper might work under UC. The light grey line shows the value of UC and the dark grey line shows the value of UC including school meal entitlement. It illustrates how the school meal entitlement effectively tops up total income under UC which is then withdrawn along a stepped taper.

Figure 3.5 Stepped taper to withdraw free school meals under UC



66. A number of concerns have been expressed about this option:
- it is more complex for claimants to understand
 - it would be administratively complex for schools
 - it does not necessarily meet the policy objectives of ensuring children in low-income families have a healthy meal at lunchtime
 - it creates several mini-cliff-edges
 - it might be difficult to implement with a run-on
 - it might mean that the income thresholds would have to be lower in order to meet the cost-neutral constraint
 - it would introduce uncertainty into the school meal system and uncertainty for parents about which meals are provided free and to whom

Claimants might perceive a system of gradual withdrawal as fairer but it might also introduce less clarity, particularly if the system includes both passporting as we know it up to a point, and tapered withdrawal of a cash equivalent from that point onwards.

[Kirklees Council, Consultation response, July 2011]

⁵¹ This figure was provided for the SSAC review by the Joint Response on Free School Meals.

67. A variant on this approach was proposed during the review, whereby at a specified income threshold an additional credit is paid within UC but the passported benefit is no longer on offer. So, for example, in respect of school meals, at the income threshold the UC payment would rise by an amount for each school-age child (this could also apply to some health benefits, such as prescriptions for adults). It may be complex to administer and complex for claimants to understand how the income is calculated.

The way forward for school meals

68. We have presented a range of options relating to the provision of school meals that emerged during the review, some delivering school meals as a benefit-in-kind and others as an element within UC. Cost constraints and the desire to protect the policy objectives for education and for welfare benefits will influence the ways in which options are assessed. Moreover, the policy responsibility for school meals rests with the devolved administrations and, in some instances, with local authorities, and this adds a further layer of complexity.
69. We make no specific recommendations as to which options should be taken forward, but it may be possible in the longer term to consider more radical options that contribute to benefit simplification alongside the protection of all the policy objectives. This is particularly important because school meal entitlement is used to allocate the Pupil Premium as well as providing a passport to school clothing grants, the costs of residential school visits and the costs of travelling to and from school. A potential way forward that would support the policy objectives for school meals, whilst at the same time making work pay, is for parents to make claims for these additional passported benefits via the UC system on a monthly basis, as they will do for recovering childcare costs, although it would need to be delivered in a way that is not administratively burdensome for parents, or for such benefits to be included on a card payment scheme. We suggest that options for these other linked benefits are considered carefully as the various options for school meals are developed and modelled.
70. It is also necessary to consider the potential impact of using entitlement to free school meals as an indicator of deprivation levels and as a passport to the payment of the Pupil Premium to schools. The tapered approach, for example, would raise a particular challenge for the indicators, as would monthly reporting by parents option if the cost of school meals were to be reclaimed via UC.

Health-Related Benefits

71. As we have noted earlier in this chapter, there was considerable support during the review for the proposal that prescriptions should be provided free to everyone in receipt of UC or, indeed, for everyone irrespective of their financial means, just as they are currently in Northern Ireland, Scotland and Wales. Since we are aware that the Government do not regard these as realistic options in the current economic climate, we have considered other options that have been proposed. Nevertheless, we suspect that calls for more universal provision in England will continue as UC is introduced.

Cashing-up health benefits within UC

72. Evidence from our review suggests that it would be difficult to cash up health-related passported benefits within UC. Indeed, it is probably neither feasible nor practical.

Difficulties with Cashing-up Health Benefits within UC

Key variables that need to be considered in decisions about integration of health benefits in a cashed-up system:

- health costs are unpredictable: they may be sporadic and even if they are regularly incurred, they may vary in both cost and frequency of need
- it might be difficult to ensure that costs are adequately supported through a monthly UC payment, as health needs can arise suddenly and require immediate expenditure whereas UC can only be adjusted monthly
- a cashed-up system could result in shortfalls between the amount of benefit paid and the cost of the item or service needed, particularly if the payment were averaged out across the years, it could also lead an overpayment

73. Concerns were expressed about how the UC system would cope with someone needing specific treatment if they could not afford to pay for several prescription items, for example, and might need to delay taking much needed medicine. Some people would simply not seek the medical help they need. One option would be to provide health support via claims within UC, payable in arrears but this could present serious barriers for those on low incomes. Evidence presented to us indicates that some people choose not to have prescriptions dispensed because they simply cannot afford to pay for the items. Respondents could not see any advantages of a system which requires retrospective claims to be made for prescription charges, or of cashing them up and paying them as an element in UC.

If people had a small weekly amount of cash to replace e.g. free dental care, they would need to be very disciplined indeed to save that sum towards costs that would only arise once or twice a year. There could well be longer term health problems if this happened.

[Citizens Advice Wales, Consultation Response, July 2011]

The system of support needs to ensure that the person that is ill benefits directly from that support and that any financial support is structured to support access to medicines rather than the income of the household. As the welfare reforms bite, the most vulnerable will face very difficult choices about what to purchase with the money available.

[Kirklees Council, Consultation Response, July 2011]

We would have concerns that the money would be spent on more pressing and short-term needs, and that eye health would be neglected. We fear that this would inevitably lead to an increase in visual impairment.

[College of Optometrists and the Optical Confederation, Consultation Response, July 2011]

There is a significant cost benefit to the NHS of reducing emergency admissions and encouraging people to self-manage their medical conditions. Access to prescriptions free of charge can contribute to this objective and reduce levels of ill health overall among homeless people ... The 37% of our clients who misuse drugs and the 34% who misuse alcohol would be particularly at risk if given potentially large amounts of cash intended for health goods and services ... Having significant sums of money intended for benefits that support their wellbeing (for example, legal aid or dental treatment) could create a risk, for example, that they might be victims of crime or they might increase their use of substances.

[St Mungo's, Consultation Response, July 2011]

There would be a temptation for claimants to use such payments to meet other needs which may seem more pressing at the time, especially as disabled people's general costs of living are higher than for other citizens (e.g. for utility bills to manage home heating costs which can be higher for health reasons), and risk health conditions going untreated or undetected.

[Disability Benefits Consortium Joint Consultation Response, July 2011]

A contribution approach

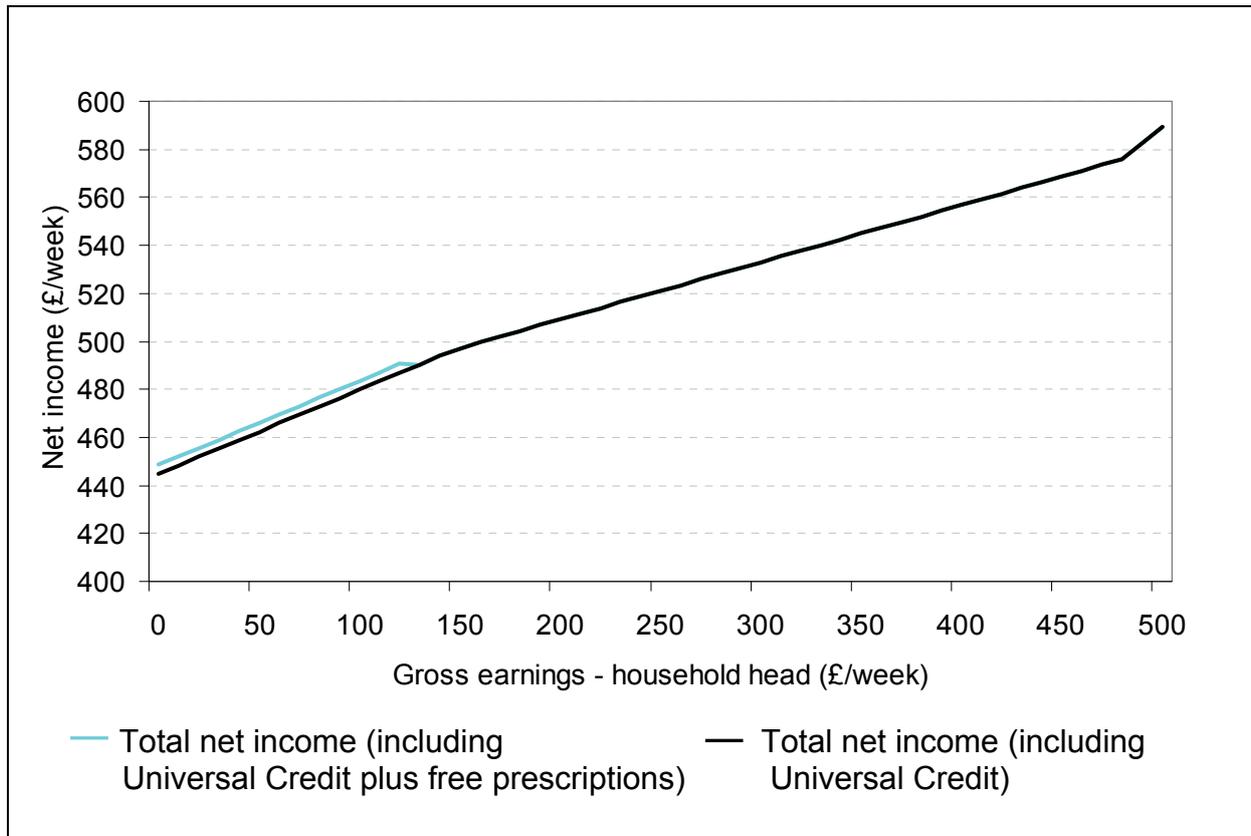
74. An alternative approach proposed to cashing-up, but linking health passported benefits to the UC, would be to pay health costs in full to all UC claimants, and those on higher incomes would contribute to health costs through UC. Such an approach essentially prioritises health costs above other needs as it reduces the total amount of UC going into the household. This is similar to the reduced earnings disregard model proposed for free school meals but linked specifically to UC payments rather than to the earnings disregard. The amount of the contribution could be based on income levels and could operate on an opt-out approach. It was suggested to us that this option would be the most responsive to changes in income levels and so keep claimants' income as stable as possible, but it does involve the benefit being clawed back from the UC payment.
75. We would suggest that all these options require further thought, and modelling their potential effectiveness and the impacts would be essential. The most likely approaches to be adopted in the short term mirror those we have discussed in respect of school meals, involving an income or earnings disregard threshold, or tapers. Although we refer principally to eligibility for prescriptions (in England only), the discussion is also relevant to the delivery of dental and optical care.

i) Income Threshold for Health Passported Benefits

76. If an income threshold approach is taken, then the simplest option is to determine an income threshold for health costs which reflects the 'hooks' currently provided by means-tested benefits. We do not suggest any specific income threshold and this is clearly a matter for the Department of Health and the devolved administrations. In order to consider the implications of this approach, solely for illustrative purposes, we have assumed a cut-off at around £16,000 p.a.
77. Figure 3.6 illustrates the impact in a worst-case scenario of imposing a threshold for free prescriptions at £16,000⁵² for a couple household with two children. In this hypothetical household, one parent is working full-time and the other is working part-time (16 hours), both at the National Minimum Wage. The main UC claimant in this household would need to work for around an additional two hours a week at the National Minimum Wage to recover the loss of free prescriptions (plus tax, national insurance and the UC taper).

⁵² Data on the average number of prescription items claimed per annum by the working age population are not available. These calculations, therefore, are based on an assumption that the couple receive one prescription item per month. The cliff-edge would be much greater for households where a higher number of prescriptions are required on a regular basis.

Figure 3.6 Income threshold for free prescription costs – couple with two children⁵³



78. Many of the pros and cons of taking an income threshold approach for health benefits are similar to those we have discussed in respect of school meals. Within health, however, there is scope to integrate the threshold with the Low Income Scheme that we described in Chapter 2. One submission we received suggested that an adaptation of the Low Income Scheme could provide a cushion for those above the income threshold who do not receive full support with health costs.⁵⁴ Three options might be considered here if linking an income threshold to the Low Income Scheme were to be considered.

⁵³ This chart has been produced for SSAC by DWP. The analysis has been verified within DWP but has not been independently verified. Reference: DWP, Universal Credit Hypothetical Household Model, 2014/15 (2011 prices)

⁵⁴ Disability Benefits Consortium, Joint Consultation Response, July 2011

Linking Prescriptions to the Low Income Scheme – Option 1

1. Keeping the Low Income Scheme as a separate entity, preferably without requiring UC claimants to make a separate application, ensuring that health benefits are not lost.

The advantages:

- easily accommodates people who will not qualify for UC
- UC claimants will not have to make a separate application for support with their health costs
- easy to fit within the devolved structure
- reduces administration in respect of the Low Income Scheme

The disadvantages:

- continuation of the two systems – associated risks
- claimants still face having to pay significantly large one-off payments
- data-sharing could create additional administrative time and costs, and risk delay and error

79. Under Option 1, the Low Income Scheme would be available (as now) for people with low incomes, but no separate claim would be necessary for people receiving UC. Under Option 2, the Low Income Scheme is partially integrated with the administration of UC, offering a more seamless service for those who use it.

Linking Prescriptions to the Low Income Scheme – Option 2

2. Partial integration of the Low Income Scheme with UC, whereby the administration of the scheme is managed within the UC system.

The advantages:

- considerable administrative savings – UC claimants would not have to make a separate application
- more responsive – via the Real Time IT system
- less complex
- easy to fit within the devolved structure

The disadvantages:

- claimants still face having to pay significantly large one-off payments

Linking Prescriptions to the Low Income Scheme – Option 3

3. Partial integration of the Low Income Scheme within UC, whereby claimant contributions are recovered by deductions from UC payments as income rises. The UC system would calculate the proportion of the charges that would need to be paid for by the claimant at different income levels. This would be recovered by deducting that amount from their UC payment – spread over a fixed number of months. The amount charged for each month would be dependent on income in that month.

The advantages:

- responsive to income fluctuations
- should avoid cliff-edges
- considerable administrative savings – UC claimants would not have to make a separate application
- no sudden upfront costs
- only requires people to pay for what they need

The disadvantages:

- claimants with fluctuating incomes will not know from the outset when payments will be recovered
- deductions prioritise health costs over other outgoings – as recovered at source
- challenge of how to recover payments once a claimant is no longer eligible for UC

80. We noted in Chapter 2 that a number of respondents had commented that the Low Income Scheme is currently little known about, little understood and little used, so a closer relationship between passported benefits and the Low Income Scheme as under Option 3 would seem to be sensible and would ensure that more households with low incomes can benefit from the scheme, particularly when passporting is lost. It could also soften the cliff-edge when health passported benefits are withdrawn.

ii) Earnings Disregard Threshold

81. It would be possible to introduce an earnings disregard threshold instead of an income threshold, with similar pros and cons to an earnings disregard for school meals. Support for health costs (including all health passported benefits) could be provided as in the current system either up to the earnings disregard level or to multiples of the earnings disregard, which would be more generous.

82. It is likely, however, that this approach would be administratively complex for delivery agents, such as retail pharmacists, opticians and dentists, who would need to verify eligibility, although entitlement could be established via the Real Time IT system and clearly identified on the UC Notification.

iii) Health Costs Threshold and Run-Ons

83. As for school meals, any cliff-edge resulting from a threshold approach could be smoothed by the option of a run-on period after eligibility for passported benefits has ceased. Currently, there is a 15 month entitlement period for health-related passported benefits provided via the tax credit certificate – a period designed to fit with the annual accounting system for tax credits. A somewhat shorter period of three to six months, for example, would soften the cliff-edge and enable savings to be made. The pros and cons of this approach were considered in respect of school meals and need to be considered carefully.
84. We would suggest that if health-related passported benefits and education-related passported benefits are to be taken forward under UC with eligibility defined by income thresholds, it is very important that all the government departments involved work together to avoid implementing a single cliff-edge at which all these benefits are withdrawn. It will be important to ensure that the policy objectives of all the departments are protected and to consider the impact of any trade-offs that would be needed in order to stay within a cost-neutral budget. This point is also relevant to the devolved administrations.

iv) Stepped Tapering of Health Passported benefits

85. While it is possible to consider a tapered approach for health benefits, it would be difficult to envisage how this would work satisfactorily in respect of prescription charges. We understand that there may be concerns if people were required to pay part of the prescription charge, as that this could significantly increase complexity for everyone involved, particularly in terms of the administration.

v) Prescription Pre-Payment Scheme

86. Prescription Prepayment Certificates (PPCs) in England are available for anyone who is likely to incur substantial prescription costs over a particular period of time. Prepayment certificates which cover all prescription charges for three months or twelve months, at a cost of £29.10 and £104 respectively, may not be well known but they do offer a substantial savings for some patients. They do, of course, require a substantial up-front outlay and anyone purchasing a PPC would need to be certain that it would save them money. Budgeting loans could be made available for people to buy a Prepayment Certificate when they move into work.

87. It was suggested during the review that under UC, health costs could be passported up to a certain income threshold, beyond which there could be one or more stepped tapers, based on income bands, at which the level of support for dental and optical support could be reduced progressively and prescription charges could be covered by an adaptation or expansion of the PPC scheme. The patient could purchase a certificate, at reduced cost, based on their income band or it could be provided by the NHS, and the costs recovered via the UC system (akin to a Budgeting Loan or Payment On Account system). The thresholds and the extent of the support provided would depend on the funding envelope available.
88. We anticipate that a stepped taper approach may not be achievable in the short term, however, as a number of factors need to be considered:
- delivery of options
 - the impact of the Real Time IT system, with UC claimants potentially moving in and out of eligibility for free and subsidised elements of the scheme
 - potential financial transfers between the DWP and the Department of Health
 - how to ensure claimants understand the system
 - the extent to which this approach meets health policy objectives
 - the potential impact of mini-cliff-edges
 - the costs associated with this approach

Looking to the future – providing health-related benefits

89. One possible longer-term solution would be to harness innovative solutions via developing technologies, such as:
- health cards
 - biometric fingerprinting
 - contactless technologies via mobile phones
90. These options might offer the potential to integrate the provision of health-related benefits within UC. Eligibility could be established by the UC claim and then delivered via a card or fingerprint. One of the difficulties put to us during the review was the cost of providing the technology in pharmacies, dental clinics and at opticians to download the information. Nevertheless, if these implementation challenges could be overcome in the longer term, there could be considerable merit in considering technologies that could include a range of passported benefits, thus reducing administrative costs and reducing complexity for claimants. The current system makes it very difficult for claimants to be clear about their eligibility to receive health-related passported benefits and for providers to check eligibility. In this regard, the UC Notification is a key document.

However UC is manifested, it is essential those entitled to passported benefits have something simple and user friendly to show interested parties ... it would make life easier for patients, contractors (including opticians, dentists and pharmacies) if the patient could provide appropriate evidence there and then that they are entitled to make an NHS claim. It would save the NHS millions in fraudulent/mistaken claims.

[East Riding of Yorkshire NHS, Consultation Response, July 2011]

As the UC system will hold all the relevant information about a client's income, it would make sense if the client did not have to make a separate application for support with their health costs.

[Disability Benefits Consortium, Joint Consultation Response, July 2011]

91. Decisions will need to be taken about which, if any, of the health benefits which are currently passported might be more closely integrated within UC. There are a number of options, however, which have the potential to simplify the current complex system but fall short of integration. Claimants are not always sure about eligibility and delivery agents cannot always verify information. If entitlement to health-related benefits could be calculated within the Real Time IT system, the relevant information could be included either on the UC Notification or some kind of health benefits entitlement card. Because of the current difficulties in demonstrating eligibility, the introduction of UC offers an ideal opportunity to consider far more innovative options.
92. Many people are familiar with using cards, such as store cards, including those which are pre-paid (such as Oyster cards). It would seem opportune to develop the possibilities associated with cards and indeed with mobile telephone and Apps technologies, for use in the benefits system. We are aware that many companies are developing sophisticated approaches which are simple for people to use and enable a range of transactions to be undertaken easily.
93. While these kinds of innovative options are being explored, evidence from the review suggests that it would be sensible in the short term at least to take the opportunity to review the Low Income Scheme and link it more closely to passported benefits and UC entitlement. It would also be possible to claim for travel costs and other one-off payments for healthcare via UC on a monthly basis. Indeed, a general travel costs recovery section for all passported benefits relating to education, health and access to justice could be included on the UC claim form, enabling people to claim for different benefits in one go and via one claims system.

Healthy Start vouchers and vitamins under UC

94. The Healthy Start voucher scheme is much simpler and a lower-cost scheme than the health benefits discussed thus far. The financial value is relatively low and the benefit is time limited. Respondents who commented on these vouchers were keen to see the current system continue. The most straightforward approach in the short term is to determine a replacement income or earnings disregard threshold under UC. There are however some concerns about fairness under an earnings disregard scheme, due to the different ways in which earnings disregard are calculated between different types of household. As is the case for all other passported benefits, the threshold will need to be calculated to meet the object of cost-neutrality. This means that any extension of eligibility would result in the budget being spread more thinly. This has implications for the policy objectives.
95. The cliff-edge associated with Healthy Start vouchers is relatively small, but to take account of this, a small run-on period could be considered, although there are inevitable cost implications of doing this. Cost-neutrality as an objective could result in a reduction in the threshold or reduction in the number of families who qualify for the benefit. This is an outcome which would have little support amongst respondents. Tapering could also be considered as a way of smoothing the cliff-edge but this option is probably impractical and cost-prohibitive.
96. While cashing-up the Healthy Start scheme would be perfectly possible within UC because the sums involved are predictable and time limited, many respondents were unhappy about simply providing cash rather than vouchers to purchase healthy food and vitamin supplements.

Our biggest concern is that cash benefits would not be translated into healthy food choices and formula milk for infants.

[NHS Greater Glasgow and Clyde, Consultation Response, July 2011]

Cash payments of passported benefits may pose specific problems for particular groups ... To convert Healthy Start Vouchers into cash equivalents would prove a particular risk for people with a mental health problem.

[Disability Benefits Consortium, Consultation Response, July 2011]

97. It seems probable, therefore, that Healthy Start will continue as a voucher-based benefit for the same groups as now, using a hook within UC to determine entitlement. It is important therefore to note the income replacement needed to compensate for the loss of Healthy Start vouchers when entitlement ceases and vouchers are withdrawn at a fixed income (Table 3.4). It makes the case for some period of run-on or for a tapered approach to withdrawal, but we realise that there would be cost implications, which could only be avoided if entitlement or the value of the vouchers was to be decreased.

Table 3.4 The rise in earnings needed to compensate for the loss of Healthy Start vouchers⁵⁵

Number of Children	£ Value of HSV	£ Gross Earnings (65%)	£ Gross Earnings (76%)
Pregnancy	93.00	265.71	387.50
Zero – One Year Old	322.00	920.00	1,341.67
One – Four Year Old	161.00	460.00	670.83
Two Children Two – Four Year Old	322.00	920.00	1,341.67

98. This table demonstrates the potential cliff-edge in much the same way as that faced when free school meals are withdrawn at a fixed income.

Access to Justice Benefits

99. In Chapter 2 we noted that passported benefits relating to access to justice tend to be used infrequently, if at all, by the majority of benefit claimants. Nevertheless, because of the sums of money involved, they are of extreme importance to those people who find themselves with a problem that requires legal intervention, or when a member of the family is sent to prison.

Legal Aid

100. A number of our respondents expressed concerns about the current proposals for reforms to the legal aid system in England and Wales, which will restrict the legal assistance available in the future in respect of civil matters. This will include employment issues, although debt and housing matters where someone's home is at risk will remain eligible for legal aid support. The central concern expressed during our focus groups with CAB advisers was how benefits appeals might be handled in future.
101. The Government have indicated that they would expect the current system for accessing legal aid to be modified in some way. At the moment, in England and Wales an applicant for civil legal aid indicates that they are in receipt of a passported benefit and then the Legal Services Commission (LSC) checks this information via a secure mail link to Jobcentre Plus in Glasgow and validates. An application for criminal legal aid is verified by way of an IT interface to the DWP Customer Information System via the courts.

⁵⁵ Table 3.4 was prepared for the SSAC Review by Deven Ghelani, Senior Researcher, Centre for Social Justice.

102. The Ministry of Justice are taking statutory powers to amend the data gateway. This will allow civil and criminal legal aid applicants to have their entitlement checked against receipt of current passported benefits and under UC by way of an IT interface with the DWP. If a similar approach were to be used in future then the legal aid eligibility criteria would need to be flagged in some way within the UC database.
103. In England and Wales there would appear to be two possible options since access to justice benefits do not lend themselves to a system of cashing-up within UC.

Options for Legal Aid

There are two possible options under UC:

1. Applicants for legal aid indicate that they are in receipt of UC under the appropriate income threshold, and their eligibility for legal aid is checked in much the same way as now via a secure link to the UC information system.
2. Applications for legal aid are dealt with separately via the LSC and the devolved administrations operating their own means-test and verification process, outwith the UC system.

104. Irrespective of which option is preferred, there would need to be some consideration given to the potential work disincentives if legal aid is withdrawn in a way that would create a cliff-edge at a low income threshold. The sums involved in legal aid can be considerable. There may also be considerable cost implications for the LSC and the devolved administrations under option 2.

Remission of court fees

105. Individuals wishing to apply for a fee remission complete a paper application form, submitting details of their financial circumstances. In order to be passported, the applicant produces an evidence letter from DWP which is no more than one month old or from HMRC (in respect of Working Tax Credit) which refers to the current financial year. Approximately 30 per cent of the UK adult population are eligible for full remission of fees via passporting. It would appear that a similar process could be employed under UC providing HMCTS prescribe the eligibility criteria in order to flag this within UC. The Real Time IT system will enable monthly updating of UC entitlement and the Notification can then be downloaded by applicants for submission for remission of court fees. Those UC claimants unable to access the Notification information via a computer will be able to request this for submission to HMCTS.

Options for Remission of Court Fees

There are two obvious options:

1. The UC Notification which claimants will be able to download and print from the internet could be presented as evidence of eligibility for passporting, providing the relevant flag for an identified income threshold can be shown on it.
2. HMCTS in England and Wales devises its own means-tests and verification process and administers its own applications for fee remission without recourse to the DWP information – there are obviously cost implications with this option.

Assisted Prison Visits Scheme

106. The Prison Reform Trust argued in its consultation response that if people visiting prisoners and claiming support via the Assisted Prison Visits Scheme are going to be incentivised to find and maintain work, they must be able to expect that their income will not drop. In the Trust's view, families should not have to make a choice between accessing a job and visiting a family member in prison. The Trust also hoped that families would not be asked to share sensitive information with different agencies. The cost of administering the scheme is currently borne by the MoJ and a hope was expressed that joint working with the DWP could be improved so that the information can be shared as appropriate and necessary once UC is introduced.
107. There is no evidence to suggest that support with prison visiting should be cashed-up as such within UC, and reimbursement of costs of visits is expected to continue. However, administering the scheme from a central automated system could reduce administration time and costs, particularly if applications can be made via the internet, email or texting for those who have access to these modes of communication. There would appear to be two possible options for the future.

Options for the Assisted Prison Visits Scheme

There are two options:

1. Applications for assistance are made as now and the MoJ work with the DWP to ensure that appropriate information is shared relating to recipients of UC, having agreed a flag to denote eligibility.
2. The administration of applications is via the online UC system and claims are made on a monthly basis alongside any other claims for reimbursement. This would require financial arrangements to be made between the DWP and MoJ, but would have the advantage that checks as to eligibility could be conducted seamlessly within the UC system. Reimbursement could then be made as part of the UC award in much the same way as childcare costs will be reimbursed.

108. We understand that the National Offender Management Service (NOMS) is considering options for linking this assistance with UC. Eligibility would be linked to an income threshold or income bands which is shown on the UC Notification. An important issue will be the arrangement for data sharing between the DWP and NOMS. If an income band approach is taken, this would allow this benefit to be tapered in order to avoid a cliff-edge, and it is clearly an option worth modelling.

Utility-Related Benefits

109. In determining possible options for the future for water, telephone and energy-related benefits we were not in a position to consider the plethora of social tariffs that are or will become available, or consult individually with all the companies providing them. We believe, however, that UC may offer advantages in terms of better co-ordination of these kinds of benefits and enable more effective targeting of low income households across the out-of-work/in-work divide.
110. We note that responsibility for the administration of passported benefits related to energy and other utilities spans several government departments at the present time (DWP, DECC and DEFRA) and believe that there are opportunities to consider a more co-ordinated approach. With schemes varying across suppliers it is quite likely that a discount scheme being developed by individual water company, for example, may have more in common with schemes operated by one or more energy companies than it does with those of other water companies. A more coordinated approach may also have the advantage of allowing the range of social tariffs to be more closely aligned, thereby saving administrative costs if simple hooks could be identified within UC, without jeopardising the advantages afforded by more local determination based on local circumstances. WaterUK is establishing a group to: explore whether it is possible to agree a set of 'hooks' that would allow water companies to administer social tariffs effectively; identify a common menu of benefit eligibility information that could facilitate the design and implementation of social tariffs or other forms of assistance to vulnerable customers; and identify when and how often access to data would be needed by companies.
111. Because social tariffs aim to support the most needy and the most vulnerable low-income households and because there is not an unlimited purse, UC should provide a welcome opportunity for better targeting.
112. We have not discussed the option of cashing-up these kinds of benefits and including them in UC payments. None of our respondents proposed this as a viable or desirable option and these benefits are very different to those discussed above because they are funded by the utility companies, through a cross-subsidy from other customers, not out of taxation. Indeed, the view expressed was that these benefits should be treated as a reduction on bills, not as income.

113. Providers did, however, talk about the sensitivities associated with ensuring that reductions on tariffs are given to people who can benefit the most. Respondents told us that targeting the households in which people struggle to finance their energy costs is currently challenging, partly because energy prices and household incomes fluctuate. Central Government, therefore, has a role to play in helping suppliers to identify the core group of households and data matching is considered by the providers of social tariffs to be the most efficient and effective mechanism to ensure appropriate targeting and the identification of those who are eligible.
114. The Fuel Poverty Advisory Group for England suggested that the use of eligibility for Cold Weather Payments could act as a proxy for accessing other types of assistance for those who are deemed to be fuel poor and living in the most vulnerable households. Nevertheless, data matching is a key consideration for the delivery of social tariffs and other schemes administered by a variety of providers who stressed the need for proactive information. Ideally, providers would be able to match their target groups via the data available from UC claimants, and we are aware that DECC and DEFRA are in discussions with DWP about this possibility. Rightly, all departments and the utility providers take data protection issues extremely seriously, and customer consent is an important factor in sharing personal data to enable passporting. It has been suggested to us that some kind of consent to share information for the purposes of passporting could be sought from claimants at the point of their claim for UC.

Obtaining Consent to Share Claimant Information for Passporting

Obtaining consent from claimants at the point of claim for UC would:

- enable more effective targeting of other benefits to in-work as well as out-of-work households
- avoid repeated means-testing
- reduce heavy administrative costs for providers
- increase the uptake of social tariffs
- increase the support for social tariffs given by other customers who subsidise reduced tariffs, because targeting would be better and administration costs lower

115. Since the utility companies would want to ensure that social tariffs can be valid for one year before eligibility is re-checked, cliff-edges would be avoided at the point people move into work or up the income scale. Setting eligibility for a year substantially reduces administration complexity and costs – making schemes more acceptable to other customers who will need to subsidise them. It also protects customers whose income might fluctuate as a consequence of moving in and out of eligibility, and provides assurance that the support will not suddenly end.

116. The UC Real Time database would render a checking system relatively straightforward in principle, avoiding the need for new claims or a stop-start pattern of eligibility. A universal consent to share information would also help suppliers such as BT, who currently ask customers for consent for BT to contact the DWP to verify an application for the BT Basic tariff. At the present time, the matching process appears to be relatively seamless and BT would want this to be replicated under UC. The introduction of UC could help simplify the process of identifying eligible customers providing that the relevant 'flags' as to eligibility within UC are agreed.

Options Going Forward for Utility-Related Benefits

Under UC these benefits are expected to remain as social tariff discounts for low-income and vulnerable customers.

To ensure simplicity within the system, appropriate targeting, maximum uptake and efficient administration, providers will need to:

- determine eligibility criteria and ensure that these can be flagged for UC claimants
- agree the core set of information needed to ensure seamless flows from UC on to the various social tariffs
- agree appropriate mechanisms for matching customers via the UC Real Time information system, taking account of data protection requirements
- co-ordinate eligibility and understand the implications of local determinations of tariffs
- agree the duration of awards (which will almost certainly include run-ons to avoid cliff-edges)
- develop effective operation models that simplify access to social tariffs/discounts

117. It is clear that the various energy-related passported benefits might be more effectively targeted on the fuel poor rather than on people in a particular income bracket who are also considered vulnerable in other ways. This is because some of those currently eligible for the discounted energy tariffs may live in relatively energy-efficient homes, while others who are not eligible may incur higher energy bills through the lack of energy efficiency in their homes. This does require, however, an agreed definition of fuel poverty and a means of linking this to UC data. It might be possible to develop a household-level fuel poverty measure which does not require a professional surveyor to make an assessment and which would be simple enough to be used by the DWP and other benefits providers.

118. We understand from experts in the field that the best way to achieve this would be to combine low income (via UC data) with a low SAP (Standard Assessment Procedure for Energy Rating of Dwellings). Since 2008, all dwellings rented to new tenants and every house sold require an Energy Performance Certificate (EPC), which is a SAP rating and is relatively easy to obtain online from the Domestic Register. This approach might usefully be explored further within Government.

The Social Fund

119. As we noted in Chapter 2, three elements of the Regulated Social Fund are also passported via means-tested benefits and tax credits – with additional rules relating to household circumstances.⁵⁶ These are the only passported benefits in the review that are the responsibility of the DWP. Only a small number of respondents commented on these passported benefits, mostly focusing on the need for better targeting of Cold Weather Payments.
120. We have considered:
- how these passported benefits might be delivered under UC
 - whether the DWP is the natural home for these benefits, or whether there might be advantages, including overall simplification of the UC system, to integrating them with other passported benefits and transferring responsibility to other government departments
121. As with the passported benefits discussed above it is clear that for financial reasons and to ensure more effective targeting, the eligibility criteria for the Social Fund passported benefits are unlikely to be extended to all UC claimants. The potential approaches under UC are similar to the other passported benefits considered in the review. However, because these passported benefits are typically infrequent and for the most part of variable cost, it is unlikely that these would be candidates for cashing-up under UC. For the same reasons, an income threshold is unlikely to cause significant problems for potential work incentives. It will be for the DWP to model the costs of alternative thresholds and to consider how these might interact with the approaches being considered by the other government departments.
122. While there is no obvious need to transfer responsibility for these passported benefits to other government departments, the Sure Start Maternity Grant and Cold Weather Payments might sit more naturally within the portfolios of the Department of Health and the Department of Energy and Climate Change respectively. For example, the resources transferred from Cold Weather Payments could be used to increase the support provided through the Warm Home Discount scheme. This would reduce complexity and ensure a more joined-up approach to these passported benefits.

⁵⁶ Cold Weather Payments, Sure Start Maternity Grant and Funeral Payments.

There are those who work but are “fuel poor”, the Cold Weather Payment would be better directed to those who actually require it.

[Angela Noble (personal response), July 2011]

The narrow eligibility criteria leave many people on a low income without the support ... The targeting for Cold Weather Payments could be reviewed along with the other energy benefits.

[Fuel Poverty Advisory Group, Consultation Response, July 2011]

Summary – Options Going Forward

123. Ensuring that passported benefits do not undermine the Government’s overall objectives of welfare reform and the policy objectives of individual passported benefits has been a major consideration in developing options for the future. At the same time, protecting the integrity of the policy objectives of individual passported benefits and enabling them to meet a variety of needs has been equally important. The preferred approaches, of many respondents, such as extending eligibility for some passported benefits to everyone receiving UC or removing passported benefits such as free school meals and prescriptions from the passporting system and rendering them universally available to all, would meet all these policy objectives, including simplification of the benefits system.
124. The problem with these options is their relative cost: they would require investment in order to deliver longer-term gains. Making work pay and protecting passported benefits in these ways requires generosity which is inevitably constrained by the current recession and stringent economic climate. Reducing the levels of support provided through existing passported benefits in order to spread the funding pot more thinly, on the other hand, would not be welcomed by anyone who contributed to the SSAC review. It was a commonly-held view that, while this would contain costs it would create dangerous gaps in service provision, and undermine the policy objectives for individual passported benefits. In doing so, it could also potentially undermine work incentives.
125. We have noted the tensions and constraints imposed by cost-neutrality and are mindful of the submissions made to us that reduced support under UC could result in higher costs to the public purse at a later date. For example, if people on low incomes are obliged to make choices which include ceasing to take prescription medicine because of the high cost, this may lead to increased ill-health – which then reduces the chances of being economically active and increases the chances of needing to access acute medical services. There is evidence that this already happens in respect of those people with mental health problems who do not qualify for health-related passported benefits.

126. Notwithstanding the current financial constraints, however, the introduction of UC offers a unique opportunity to address some of the complexities and anomalies in the current system and develop a fairer system of support with enhanced take-up. Several respondents argued that the success of any options for change should be judged on their ability to meet genuine need and not just on their ability to simplify the system in a cost-neutral manner.
127. We recognise, however, that government departments administering passported benefits are feeling constrained by the need to develop cost-neutral options. This was particularly evident in our conversations with officials from the Department of Health who are also grappling with the huge agenda for change in the NHS within tight budgets. Creative options for health-related passported benefits have been ruled out at the present time, although we suggest that these should be reconsidered as UC is rolled out, with a view to making more radical changes in the longer term.
128. Everyone we spoke to also pointed out that the transition to UC would mean that providers of passported benefits would incur additional costs at the point of change: including the costs of new information leaflets, new training materials, information and awareness activities, adaptations to IT systems and increased demand for help and advice. These transitional activities will impact on the funding available for delivering the actual benefits themselves, particularly during the period 2013-2017 when both the legacy and UC systems will be in operation. There was, therefore, a plea to reduce complexity and look for more cost-effective options that offer savings in administration costs. This could be achieved via UC if the database allows for a single claim and assessment process which in turn could reduce the costs associated with error and fraudulent claims. Using the UC system to trigger passported benefits and provide flags/hooks which signal entitlement; to make claims (for a range of transport costs, for example) on-line as part of the monthly update; and to record changes of circumstances could reduce administrative costs, both for claimants and for providers. Data matching and data-sharing are of critical importance and a matter at the top of most providers' agendas for change and improvement.
129. It is important from the Government point of view that expenditure on passported benefits is predictable, and that spend can be controlled (via DEL) and offers value for money. There will be no additional money available in the current Spending Review period: therefore, if there is an increase in take-up of any passported benefits administered by government departments, the department concerned will need to fund the additional costs. Transparency and accountability for public funding are key criteria in determining cost-neutral options.

Short-term options

130. In this chapter, we have discussed a range of options which appear to be realistic in the short term and indicated where we believe longer-term solutions might lie. Any radical change to the system of passporting will take time, but a stepped approach should enable simplification and better targeting from 2013 onwards.
131. There are multiple options on the table in respect of some passported benefits, notably for education-related and health benefits, and a few options to choose from in respect of the access to justice and utilities passported benefits. In many ways, the way forward for these latter two categories is more straightforward, and is centred on a simplification of existing approaches, providing that a sensible solution can be found to ensure data matching, with reduced administrative costs for claimants and providers alike. The delivery options for the other two categories (education and health) will need to be considered alongside the quest for simplicity and cost-neutrality in order to ensure that work incentives and other policy objectives are not undermined.
132. In the final chapter we put forward some guiding principles which we believe will provide a framework within which to assess, evaluate and model the various options outlined above.

Chapter 4 Passporting benefits and Welfare Reform – Guiding Principles

Introduction

1. In the last chapter we laid out a number of options for streamlining the arrangements for and delivery of passported benefits when Universal Credit is introduced in 2013. Although the SSAC agreed with the Minister for Welfare Reform that it would not make specific recommendations about which, if any, of the options should be taken forward, we have highlighted a number of perceived advantages and disadvantages in respect of their impact on the Government's key objectives for welfare reform: to simplify the current complex system of welfare benefits and tax credits and to make work pay.
2. One of the major concerns raised by many of those who responded to our review relates to the constraint imposed by the Government's objective that options for the future should not involve a net increase in expenditure. Approaches that would fully deliver the desire for greater simplicity in the benefits system and ensure that the various policy objectives can be achieved whilst ensuring that work pays, almost certainly require some level of additional expenditure.
3. We noted in Chapter 3 that many respondents were keen to see eligibility for free school meals and prescriptions (in England), for example, extended to everyone receiving UC. While this would undoubtedly aid simplicity, our assumption is that the Government would regard this as unrealistic in the current fiscal climate. Review respondents recognise that this was likely to be the position.
4. More realistically, review respondents highlighted the importance of grasping the current opportunity to simplify a very complex system of passporting within the cost constraints imposed. Looking for ways of replicating the current system is hardly helpful in this regard, so the challenge is to find ways of simplifying the current plethora of passported benefits while, at the same time, ensuring that the policy objectives they have been designed to meet are protected and do not undermine the overall rationale for introducing a single integrated working-age benefit. There are challenges and tensions to be addressed in deciding which options might realistically be taken forward.
5. We have suggested that options which require some fundamental rethinking of passported benefits may not be achievable by 2013. The UC transition period nevertheless provides a window of opportunity to consider options which will provide robust and sustainable approaches for the longer term. In the short term, however, we believe that changes can be made to start the process of reducing complexity, save administrative costs and render passporting more effective and efficient. It might also be a useful first step if careful consideration could be given as to whether all the benefits that are currently passported should continue to be passported when UC is introduced.

6. During the review it became increasingly clear that whichever options are considered, both in the short and longer terms, there is broad agreement about a range of principles which should guide deliberations and provide a framework within which these approaches can be assessed and evaluated. In this final chapter we:
- consider some of the findings from the recent NAO report⁵⁷ on means-tested benefits which have resonance for passporting
 - distil a number of high-level principles which flow from the SSAC review
 - suggest some practical principles which could render the delivery of passported benefits less complex
 - summarise the decisions to be taken
 - offer some concluding comments

Means Testing

7. Unless certain benefits are universally available – as prescriptions are, for example, in the devolved administrations – then some form of means testing is inevitable. In the current system, providers of passported benefits have relied on a variety of means-tested welfare benefits and tax credits to signal eligibility, thus avoiding the need for separate assessments. The NAO set out to identify the risks to value for money that arise from the design of means tests: risks that are clearly pertinent to the approaches that may be taken to passporting under UC. The NAO interpreted means-tested benefits broadly to include cash, services and benefits-in-kind.

The NAO Report – Relevant Findings for the Future of Passported Benefits

The NAO report noted that:

- while means testing can be an effective way to target spending, there are unavoidable consequences for the costs and effectiveness of benefit programmes
- means testing implies trade-offs, particularly between preserving incentives to work and save, targeting benefit payments and managing the costs of delivering benefits
- effective implementation and design can address many of the adverse consequences of means testing
- government departments do not systematically consider or measure all of the impacts of means testing, particularly the burden on claimants, and there is no overall accountability for interacting across programmes administered by different departments

⁵⁷ National Audit Office (2011) *Means Testing*, TSO.

8. If we look at these findings in the context of considering options for passported benefits under UC there would appear to be merit in:
 - finding ways which streamline the design and delivery of these benefits
 - considering how best to provide greater coordination of the various benefits and passporting arrangements
 - promoting greater clarity, fairness, simplicity and transparency across the range of passported benefits
9. We consider these suggestions as we draw out some guiding principles for options going forward.
10. One of the overarching themes in the Government's desire to make work pay is the ambition to eliminate potential work disincentives. We have noted that there is no robust evidence to indicate that passported benefits per se act as a work disincentive. When people make decisions about employment, a range of factors influence their behaviour and the choices they make are not necessarily economically rational. Nevertheless, passported benefits are highly valued and can make a substantial difference to people's health and well-being.
11. In the current system, moving into work frequently signals the withdrawal of many of the passported benefits. Although this may not prevent people from taking a job, the loss of passported benefits might undermine the objective of ensuring that work is always seen to pay, particularly if this loss creates an apparent cliff-edge.
12. The NAO report suggests that "the combination of means tests can create much stronger disincentives to work, save or form households."⁵⁸ So while the influence that passported benefits themselves have on the chances of claimants moving into work or increasing their hours is uncertain, there is general agreement that the sheer number of passported benefits and the current complex eligibility criteria do nothing to promote simplicity, transparency or certainty in the benefits system as a whole.
13. The research evidence is much stronger in respect of the negative impact of uncertainty: fear of the unknown and of a less certain income can be an important factor when people have to move off benefits in order to take a job.

⁵⁸ *ibid*, p. 32.

Guiding Principles

14. In order to address some of the issues raised by the NAO review and to situate the options for passporting under UC within the context of cost neutrality we have distilled a number of guiding principles.
15. Throughout the review we have been mindful of the varying arrangements relating to passported benefits across the devolved administrations and have noted some similarities and differences in earlier chapters. We believe that the guiding principles for the reform of passported benefits under UC are relevant across the UK, however, and, in this final chapter we draw no distinctions between the administrations.
16. We have focused our discussion of the guiding principles within the context of Government's the key objectives of welfare reform – simplification and making work pay. We nevertheless refer to other factors which underpin these objectives and which should be considered carefully.

Simplification

17. One of the fundamental and welcome objectives of welfare reform is to render the benefits system far less complex than it is currently. There are a number of ways to achieve this goal and the introduction of a single Universal Credit is a major step forward. Simply attempting to transfer and move passported benefits in their current form on to this new structure would immediately reintroduce complexities. Maintaining the status quo is not an option, therefore.
18. The acceptance of a number of broad principles could assist in reducing the existing complexity and, at the same time, reduce administrative costs for delivery agents and for benefit recipients, and promote increased take-up of passported benefits by those who are eligible.

Under UC we should aim to simplify qualification and reduce administrative costs. This could offset the increase in the cost of passported benefits provision against the reduction in cost of the administration of passported benefits.

[Leeds Council, Consultation Response, July 2011]

Simplification – high-level principles

19. We suggest that there are a number of high-level principles which can promote simplification:
- a) providers of passported benefits should ensure that they work closely together to improve coordination and increase understanding of the impact of the design of passported benefits on the wider system of benefits and vice versa. As a minimum this calls for greater sharing of data and information about claimants, subject to appropriate data protection safeguards;
 - b) policymakers should give careful consideration to joining-up and integrating passported benefits: for example, combining benefits that have similar objectives, such as ensuring people have warm homes;
 - c) providers of passported benefits should consider and question the best way to deliver passported benefits: whether those currently delivered as benefits-in-kind might be brought into the UC calculation in due course, for example;
 - d) consideration should be given to ways of ensuring greater oversight and coordination of passported benefits, so as to increase the potential for simplifying their delivery in the longer term.
20. The over-arching message in these high-level principles is the need for greater coordination of passported benefits so as to reduce complexity and to avoid a situation in which further benefits are simply added to the already long list of those passported. The need for greater coordination was stressed by the NAO and echoed by many people in the review.

Departments could work together to ensure that existing policy simulation analysis is available across government and reflected in policy design ... Departments could increase assessment of wider impacts when developing policy reforms, clearly identify the risks of interactions that might undermine policy objectives and adjust for these risks in options appraisal.

NAO Report, *ibid*, p. 9.

It might be preferable in terms of a holistic view of passported benefits to set up a centralised passported benefits unit within DWP (or the Social Security Agency in Northern Ireland)..... Obviously this would require a cross-departmental approach.

[Advice Northern Ireland, Consultation Response, July 2011]

21. The NAO report suggests that either the DWP or HM Treasury could take on the role of promoting and supporting greater co-ordination, information sharing and increased accountability. This is a matter for Ministers, but if this proposal is taken forward, part of the brief should be to ensure that the policy objectives underpinning various passported benefits are protected and can complement the objectives of simplification and making work pay.

Simplification – practical steps

22. In addition to the high-level principles which could promote simplification overall, a number of more practical steps could be taken to simplify the delivery of passported benefits:
- a) aligning means-tests across passported benefits and promoting consistency across government departments and local authorities;
 - b) reducing complexity and variation within passporting rules so that they are easily understood by claimants, decision-makers and advice agencies;
 - c) making it simple and straightforward to establish and verify eligibility, and make a claim;
 - d) reducing the number of separate claims that claimants have to make (for example, for free school meals, discounts on bills/social tariffs) and promoting a system of auto-entitlement and auto-enrolment;
 - e) improving awareness, information and understanding of passported benefits to increase take-up and ensure better targeting.
23. Many review respondents made suggestions as to how to increase public understanding of the support available. Simplifying eligibility and the mechanisms for claiming passported benefits featured strongly in responses to our review. Leeds City Council, for example, has shown that a single claim and assessment process covering all education passported benefits is simpler and less expensive to administer.

Automatic entitlement would decrease the complexity of applications and simplify administration for claimants.

[CPAG, Consultation Response, July 2011]

The key issues that need to be considered are a simple system for eligibility that makes it easy for the customer to check entitlement ... include automatic eligibility rather than customers having to make a claim.

[East Riding of Yorkshire, Consultation Response, July 2011]

Automatic entitlement to passported benefits such as free school meals without the need to register and supply supporting evidence would simplify [the system] at no extra cost.

[LGG Social Security Advisers Group, Consultation Response, July 2011]

A simple system, preferably verified by way of an automatically issued certificate, would be better understood by claimants and more easily verified to reduce the potential for fraud, abuse and official error.

[Disability Alliance, Consultation Response, July 2011]

Clear and accessible communication to claimants is the best way of achieving simplification at no extra cost. Children's Centres could provide an excellent avenue for communicating changes.

[Knowsley Council, Consultation Response, July 2011]

Auto entitlement

24. Auto-entitlement, whereby eligibility for passported benefits is identified automatically by the UC IT system, has the benefit that it avoids the need for separate means tests, reduces administration costs and reduces compliance costs for claimants. The Child Poverty Action Group suggested that automatic entitlement decreases the complexities associated with applying for benefits and significantly simplifies the system for claimants.
25. Universal Credit provides an unparalleled opportunity to improve the understanding and take-up of passported benefits and to reduce the number of separate claims procedures. Many respondents also referred to the importance of user-friendly systems that reduce the potential for claimants to make mistakes. The Institute of Fiscal Studies has already called for better understanding of the burden on claimants in proving entitlement.⁵⁹
26. There are a number of ways in which demonstrating entitlement can be simplified. For example, some kind of card could be issued (a health card was proposed by some respondents), but the most obvious mechanism in the short term, referred to by most people during the review, is the UC Notification.

UC Award Notification

27. Providers of passported benefits have underscored the importance of there being a comprehensive UC award notice which can determine entitlement to passported benefits. The UC Real Time IT system will enable claimants to print out an updated UC Notification every month, and requests to include statements on the Notification about what the claimant is entitled to receive are under consideration in the DWP.

⁵⁹ Bennett, F., Brewer, M. and Shaw, J. (2009) *Understanding the Compliance Costs of Benefits and Tax Credits*, Institute of Fiscal Studies.

28. Nevertheless, the simpler the eligibility rules are the easier it will be to promote clarity and develop easy to understand messages. If each passported benefit were to have its own distinct eligibility rules, this would only replicate current complexities, and make the Notification confusing for both claimants and delivery agents.

Information transfer

29. Many delivery agents, particularly those offering social tariffs, have pointed to the importance of information transfer. A persistent theme throughout the review has been the need for key relevant information to be shared across government departments and others responsible for delivering passported benefits. The NAO report makes a strong statement in this regard:

“To use means-testing effectively, departments and agencies need reliable and timely information about claimants’ practical means.”⁶⁰

30. The Warm Home Discount provides an example of the successful use of data matching, in which the Government is using powers from the Pensions Act 2008 to identify to energy suppliers the poorest customers who should receive the Core Group rebate: over 650,000 pensioners will receive a discount this winter as a result.

Auto-enrolment

31. The provision of and access to Real Time information in respect of UC could ease the administrative burden in respect of claims for passported benefits and make auto-enrolment much easier to manage. Entitlement would be calculated automatically within the UC IT system and information about eligible claimants would be shared with delivery agents. Taking due account of data protection requirements and the fundamental necessity to protect sensitive individual-level data, it is considered vitally important to find ways of obtaining consent for relevant information by those administering passported benefits to be appropriately shared. The delivery system for passported benefits could undoubtedly be greatly simplified if a system could be put in place to allow claimants to consent to a level of data sharing with appropriate bodies and under appropriate safeguards.
32. Information sharing would not only simplify auto-entitlement but also promote greater use of auto-enrolment where delivery agents are automatically notified of people who would be eligible for their benefits. For example, at present parents have to make a claim for free school meals and this claim is then checked against information held by the DWP and HMRC. Several review respondents argued that take-up of free school meals might well increase if pupils were automatically enrolled.

⁶⁰ NAO, *op. cit.*, p. 26.

Considering widening the use of automatic passporting through UC has the potential to reduce the admin costs of delivery agents which would allow extra funds to be diverted to broadening eligibility.

[SCoWR, Consultation Response, July 2011]

The technology behind the UC should make 'automating' entitlement easier. This will assist in maximising family incomes.

[CPAG, Consultation Response, July 2011]

The introduction of UC should be taken as an opportunity to increase the uptake of vital benefits, and ensure all those who are eligible receive passported benefits. Therefore, any new system should incorporate as much 'auto enrolment' for benefits as possible with families not having to fill out additional forms to receive the support they need.

[4 Children, Consultation Response, July 2011]

33. The most important message here is the opportunity to join up information and simplify the current rather ad hoc procedures for claiming passported benefits.

Simplification – Joined-up Information

A more coordinated framework for the design and delivery of passported benefits will rely on:

- information sharing/data transfer to reduce the need for multiple applications and promote more effective targeting
- an agreed definition of income and agreement about the evidence required to validate claims
- carefully crafted, clear and unambiguous statements on the UC Notification
- keeping eligibility rules simple in order to keep the UC Notification simple to understand
- making efforts to avoid any stigma associated with accessing passported benefits, so as to ensure take-up by those who are eligible and improve targeting

34. We would also suggest that welfare reform provides an opportunity for all government departments, local authorities and others to agree and use a common definition of income and ensure that the evidence required to verify that income should be the same across government.

Making Work Pay

35. Simplification of the benefits system is an important step to achieving the Government's second key goal of welfare reform: making work pay. However passported benefits are dealt with under UC, they should not undermine the overarching principle that people should be better off in work than they are on benefits. 'In deciding between design options, departments face a series of trade-offs. The central trade-off is between tighter targeting of benefits (often linked to greater design complexity) and other impacts such as take-up levels, administration costs and incentives to work'.⁶¹

Making work pay – high-level principles

36. The evidence from our review suggests that there are a number of high-level principles and some practical steps that can be taken into account when considering approaches to passporting that support the goal of making work pay:
- a) designing passported benefits to ensure effective integration of the broader policy objectives relating to education, health, energy and social tariffs, and access to justice, with the policy objectives of welfare reform in general, and UC in particular;
 - b) making decisions about whether and how to withdraw passported benefits as income rises which take into account the potential for work disincentives or financial cliff-edges and the relative benefit of keeping withdrawals simple and smooth. Faster withdrawal can reduce public spending but can also create perceived disincentives to work and have an adverse effect on family budgets;
 - c) being aware that UC is designed to be a household benefit, and that household assessment can mean that one partner's incentive to work is heavily dependent on whether the other partner is in work. This factor should be considered in the design and implementation of passported benefits. UC claimants will need to understand how changes in employment impact on eligibility for passported benefits at the household level;
 - d) ensuring that new options for passported benefits should close current loopholes in eligibility which exclude some people on relatively low incomes from the support passported benefits can provide, and aim for greater fairness and predictability;
 - e) monitoring the system of passporting when UC is introduced to assess the impacts on targeting and take up, on in-work incomes and on the employment behaviour of claimants.

⁶¹ NAO Report, 2011, p. 24.

37. Evidence from our review indicates that there is no inherent incompatibility between the policy objectives of individual passported benefits and the overall policy objectives of welfare reform. But they are potentially in conflict if changes need to be made in the context of cost neutrality. There are dangers that passported benefits might undermine the ambition to make work pay if the constraints of cost-neutrality limit the possibility of avoiding cliff-edges when the benefit is withdrawn. On the other hand, distributing the same sum of money across a larger number of recipients to enhance the financial gains from work could well mean that the original policy intent of individual passported benefits is undermined. This is the kind of tension that a co-ordination arrangements should monitor.
38. During the review there has been a good deal of discussion about cliff-edges and a number of options attempt to address this issue. So, for example, consideration has been given to tapering the withdrawal of passported benefits (as could happen if they were cashed up and included in UC) or introducing run-ons when eligibility to the benefit has ceased. This can avoid households being yo-yoed in and out of entitlement when UC entitlement fluctuates but may introduce some complexity.

As a general principle the government needs to ensure that passported benefits are reduced or lost on a sliding scale rather than having the claimant's income dropping off a cliff-edge.

[LGG Social Security Advisers Group, Consultation Response, July 2011]

39. In this regard it is important to consider the impact of UC being calculated and delivered as a household benefit. While household assessments can assist in targeting support on families in which everyone is poor, they can also add to complexity when calculations have to be made about withdrawal of passported benefits and the potential impact on work incentives.⁶² The definition of means in a household can be complex when households have variable financial means including earned income, savings and housing assets. An individual's incentive to work might depend on whether their partner is employed.
40. There are certain groups of people whose particular needs and circumstances should also be taken into account in the design of passported benefits under UC: the growing number of people who are self-employed is one of those groups. Under UC the White Paper suggest that once a business has become 'established', a floor of assumed income equal to the National Minimum Wage for the reported hours will be introduced for those who are self-employed. This could have important implications for access to passported benefits for self-employed people, particularly the measurement of self-employed income on a monthly basis and the impact on eligibility for passported benefits.

⁶² NAO report, *op. cit.*; Institute for Fiscal Studies (2010) *Tax by Design*, IFS.

Making work pay – practical steps

41. The implicit message in many responses is that people need to see for themselves that work pays rather than relying on a mantra. Under the current system the value of passported benefits is recognised but not consistently accounted for in better-off calculations. Information about how passported benefits impact on the perceived financial benefits from being in work is not always available or rendered transparent. There are some practical principles that could address these apparent anomalies:
- a) reconsidering how passported benefits are explained, the language used and the messages given will be essential to the integration of passported benefits under UC. Within this context it might be helpful to avoid references to ‘free’ school meals and ‘free’ prescriptions;
 - b) making the value of passported benefits transparent and clear to recipients could assist their understanding of the benefits system overall and of how UC calculations and payments are made;
 - c) ensuring that all better-off in work calculations always include the putative value of passported benefits and give information about how they will be withdrawn. This would increase claimants’ ability to weigh up the potential and actual benefits of being in work or increasing their hours of employment;
 - d) providing information about passported benefits in a joined-up coherent manner rather than as individual benefits with little connection to each other, including information about other options which can ease the loss of passported benefits at certain income thresholds.
42. Many of these practical steps could make it easier for claimants, decision makers and advisers to understand how the benefits system will impact on them both in and out of work and the ways in which passported benefits might impact on their in-work incomes.

Any reform of the system must be as transparent as possible for the claimant, be included in the calculation of marginal deduction rates, and ensure that the delivery of passported benefits is non-stigmatising.

[Low Incomes Tax Reform Group, Consultation Response, July 2011]

It is important for people to know that their passported benefits had been (or would be) removed entirely ... it would also be important that this was constantly reiterated ... people’s behaviour will only change if they understand how the system works, what they might lose and what they might gain. UC expects that people will make informed choices and they will need to information in order to do that.

[Kirklees Council, Consultation Response, July 2011]

Key Decisions

43. We have identified a number of key decisions that will need to be taken in respect of the options for passporting under UC:
- a) whether to retain all the existing passported benefits as passported benefits;
 - b) which, if any, passported benefits to integrate within UC;
 - c) how to target each benefit for maximum effectiveness with respect to its policy objectives and how to determine eligibility;
 - d) how to deliver each benefit: as a benefit-in-kind, as a cash benefit, via a claims process (within or outside UC);
 - e) the best way to withdraw passported benefits to avoid cliff-edges and any potential work disincentives and, at the same time, preserve their policy intent;
 - f) the extent to which UC information can and should be shared to enable auto-entitlement and auto-enrolment.

Concluding Comments

44. The SSAC review of passported benefits has exposed the complexity of the current system and the lack of coordination of the myriad passported benefits. Opportunities to rethink passporting are considerable, but no one who contributed to the review underestimated the challenges involved in promoting greater simplicity within the current financial envelope. It may be that the Government's programme for welfare reform will provide the stimulus to rethink just how many benefits should be passported and consider just what could be achieved within UC itself.
45. This review of passported benefits has enabled the SSAC to contribute to the thinking about an important element within the benefits system at an early stage. We have assembled a wealth of information about the complexities of the current approach and potential ways forward for the future. The committee has not formed a 'SSAC view' about the best way forward but we would wish to draw attention to a number of key messages from the review.

46. The key messages are:

- the wider policy objectives of each of the benefits that are currently passported have the potential to bolster the key objectives of welfare reform in general and of UC in particular
- there is an urgent need to simplify the current system of passporting so as to reduce administration costs and ensure that passported benefits reach their intended target audiences
- the timescale for implementing UC is ambitious, and discussions about the best way to manage passported benefits will almost certainly evolve during the transition period. However, given the complexity and range of passported benefits described in this report, it is clear that a substantial programme of work will be required just to ensure arrangements are in place for the initial implementation of UC in 2013 and urgent action is needed to progress this activity
- the tensions created by the constraints of cost-neutrality will have an impact on what can be achieved in the short term, but should not stifle more creative thinking about longer-term approaches
- very little is known about the extent to which passported benefits influence decisions about work; but these benefits are highly valued, can make an important contribution to people's household income, and play an important role in promoting better health and well-being

47. Since we began this review in May 2011 we have witnessed an increasing appreciation in all levels of government, local authorities and amongst the providers of social tariffs of the challenges and opportunities for rethinking passported benefits afforded by the shift to UC. In many ways, the SSAC review of passported benefits marks the start of a journey: it does not provide definitive answers but it does point to a range of options and some key guiding principles to stimulate future debate. The introduction of Universal Credit and reforms in the welfare system more generally will change the benefit landscape, and determining the best ways forward for passported benefits will be critical in achieving the key objectives.

Annexes

Annexe 1 Terms of Reference

Social Security Advisory Committee Advisory Report on Passporting Benefits

Purpose

The purpose of the advisory report is to analyse the range of passported benefits (“benefits”) which currently exist in order to:

- classify the target audience(s) for those benefits
- identify the needs which those benefits address, and the wider policy objectives served by them now and in the future
- identify and analyse the mechanisms that are currently employed to determine entitlement
- consider the potential impact of changes in eligibility rules

Objectives

The objective is to use this analysis in order to provide advice as to how such benefits should be considered in the future on the introduction of Universal Credit.

In particular, the review will seek to:

- collect and review the evidence on benefits (and note information gaps), including
 - which benefits are particularly valued by recipients and the reasons for that valuation
 - the extent to which such benefits appear to influence employment decisions
 - possible customer behaviour if entitlement to benefits is withdrawn
- assess the level of complexity surrounding these benefits and consider whether such complexity is a barrier to understanding and take-up
- examine current variations in provision, noting where possible the implications for all agents that administer benefits throughout GB and the responsibilities of Devolved Administrations (Scotland and Wales)
- taking account of the needs addressed and the wider policy objectives behind the provision of benefits, consider how a coherent approach might be developed to the provision of (different categories of) benefits for those entitled to Universal Credit, including withdrawing support gradually in line with the taper rate in order to maintain work incentives

- consider whether there are other simpler alternative options that might mitigate any disincentives to work
- identify ways in which such benefits might be developed in future, ensuring the replacement system is coherent, simple and removes disincentives to work

Recommendations

The recommendations should take account of the UK Government's view that any changes should not involve a net increase in public expenditure, including administrative costs, and/or increase complexity, and should consider ways to reduce costs.

The recommendations should take account of the fact that expenditure on passported benefits in Scotland is solely a matter for Scottish Ministers.

Where possible, the report will include broad cost implications for other government departments and Devolved Administrations (Scotland and Wales).

The report will be produced by the Social Security Advisory Committee. An initial scoping/feasibility study will be undertaken and the terms of reference refined as necessary.

The Committee will provide a non-binding interim report in September. It will take further evidence and produce a final report recommending options no later than January 2012.

Annexe 2 Main Passported Benefits Included in the Review

Abbreviations used: DWP – Department for Work and Pensions; DfE – Department for Education; DH – Department of Health; MoJ – Ministry of Justice; NOMS – National Offender Management Service

England		
Benefits-in-kind	Cash benefits	Discounts on charges or fees
Responsibility of Government Departments		
Benefits from the Pupil Premium (DfE)	Cold Weather Payments (DWP)	Jobcentre Plus travel discount card (DWP)
Free Early Education for disadvantaged 2 year olds (DfE)	Funeral Payments (DWP)	Optical voucher (DH)
Free School Meals and free school milk (DfE)	Help with healthcare travel costs (DH)	
Health costs i.e. free prescriptions/free eye test/dental care/wigs and fabric supports (DH)	Help with prison visiting costs (MoJ – NOMS)	
Healthy Start vouchers and vitamins (DH)	Sure Start Maternity Grant (DWP)	
Legal Aid (MoJ)		
Remission from court fees (MoJ)		
Responsibility of local authorities		
Help with the costs of residential school visits	School clothing grant (cash/cheque)	Bus and Tram Discount Scheme – London (Transport for London) Leisure discounts
Leisure services, e.g. free swimming		
School clothing grant (vouchers)		
School transport		
Responsibility of other bodies		
Leisure services	Educational grants, e.g. Adult Discretionary Learner Support Funds, 16-19 Bursary	Leisure discounts
		BT Basic (BT)
		Warm Home Discount

England		
Benefits-in-kind	Cash benefits	Discounts on charges or fees
		Voluntary Social Tariffs from utility companies
		WaterSure

Scotland		
Benefits-in-kind	Cash benefits	Discounts on charges or fees
Responsibility of Government Departments		
Free School Meals (Scottish Government)	Cold Weather Payments (DWP)	Optical vouchers (Scottish Government)
NHS prescriptions (Scottish Government)	Funeral Payments (DWP)	Education Maintenance Allowance (Scottish Government)
NHS dentistry exemptions (Scottish Government)	None repayment of children's welfare loans (Scottish Government)	Energy Assistance Package Stage 3 (Scottish Government)
Healthy Start vouchers and vitamins (Scottish Government/DH)	Help with prison visiting costs	
Legal Aid (Scottish Government)	Sure Start Maternity Grant (DWP)	
Exemption from court fees (Scottish Government)	NHS patient travel costs (Scottish Government)	
Responsibility of local authorities		
Leisure services/discount		
School clothing grant		
Responsibility of other bodies		
	Educational grants	Warm Home Discount
		BT Basic

Wales		
Benefits-in-kind	Cash benefits	Discounts on charges or fees
Responsibility of Government Departments		
Free School Meals and free school milk (DfE/Welsh government)	Cold Weather Payments (DWP)	Jobcentre Plus travel discount card (DWP)
School Uniform Grant (DfE/Welsh Government)	Funeral Payments (DWP)	Optical voucher (DH)
Health costs i.e. free eye test/dental care (DH)	Help with healthcare travel costs (DH)	
Healthy Start vouchers and vitamins (DH)	Help with prison visiting-costs (MoJ – NOMS)	
Remission from court-fees (MoJ)	Sure Start Maternity Grant (DWP)	
Legal Aid (MoJ)	School Uniform Grant (DfE/Welsh Government)	
Responsibility of local authorities		
Exemption from paying the cost of board and lodging on residential trips	Discretionary school clothing grant	Leisure discounts
Leisure services, e.g. free swimming		
Responsibility of other bodies		
		BT Basic
		The Nest Scheme (home energy efficiency)
		Welsh Water Assist

Northern Ireland		
Benefits-in-kind	Cash benefits	Discounts on charges or fees
Responsibility of Government Departments		
Free School Meals (DoE)	School Clothing Allowance (DoE)	Exemptions and remissions of court fees (MoJ)
Health costs i.e. free eye test/dental care (Department of Health, Social Services and Public Safety)	Help with prison visiting costs (MoJ)	Optical vouchers (Department of Health, Social Services and Public Safety)
Healthy Start vouchers and vitamins (Department of Health, Social Services and Public Safety)	Cold Weather Payments (DWP)	
Hospital Travel Costs Scheme	Funeral Payments (DWP)	
Legal Aid (MoJ)	Sure Start Maternity Grant (DWP)	
Warm Homes Scheme (Department for Social Development)		
Responsibility of local authorities and Health and Social Care Trusts		
Board and lodging on residential school trips		Limited help with the cost of leisure facilities/ discounts
Responsibility of other bodies		
	Educational grants	BT Basic

Annexe 3 Passported Benefits: Eligibility Criteria

Abbreviations used: DWP – Department for Work and Pensions; DfE – Department for Education; DH – Department of Health; MoJ – Ministry of Justice; NOMS – National Offender Management Service

England

	Passported Benefit	Eligibility
Benefit in kind	Free School Meals and Free School Milk (DfE)	<p>Registered pupils whose parents/guardians are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit (providing they are not entitled to receive Working Tax Credit and have an annual income (as assessed by HMRC) that does not exceed £16,190) • Support under part VI of the Immigration and Asylum Act 1999 • the Guarantee element of State Pension Credit <p>Schools and local authorities are not required to provide milk but where they choose to do so it must be provided free of charge to those pupils eligible for free school meals</p>

	Passported Benefit	Eligibility
Benefit in kind	Pupil Premium (DfE)	<p>Based on FSM eligibility. Registered pupils whose parents/guardians are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit (providing they are not entitled to receive Working Tax Credit and have an annual income (as assessed by HMRC) that does not exceed £16,190) • Support under part VI of the Immigration and Asylum Act 1999 • the Guarantee element of State Pension Credit <p>There are also additional strands of the pupil premium for looked after children and service children</p>
Benefit in kind	Free school travel for pupils from low income families (DfE/LAs)	<p>Pupils who are in receipt of free school meals or whose parents/guardians are in receipt of maximum Working Tax Credit. Additional criteria for entitlement are:</p> <ul style="list-style-type: none"> • eligible pupils aged 8 but under 11 years of age, who live more than 2 miles from their nearest school • eligible pupils 11 years of age and older who live more than 2 miles but under 6 miles from their nearest suitable school (as long as there are not 3 or more suitable qualifying schools nearer to the child's home) • those attending their nearest school preferred on the grounds of religion or belief that is over 2 miles but not more than 15 miles from their home

	Passported Benefit	Eligibility
Benefit in kind	Free early education for disadvantaged 2 year olds (to commence from Sept 2013) (DfE)	<p>From September 2013, it is intended that eligibility for free early education for 2 year olds will mirror FSM eligibility. Children (from the term after their second birthday) whose parents/guardians are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit (providing you don't receive Working Tax Credit and earn less than £16,190) • Support under part VI of the Immigration and Asylum Act 1999
Benefit in kind	Help with residential school visits (LAs)	<p>Pupils whose parents are receiving:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Child Tax Credit (providing you don't receive Working Tax Credit and earn less than £16,190) • income-related Employment and Support Allowance
Benefit in kind	Adult Discretionary Learner Support Funds (BIS)	Schools and colleges set their own criteria and manage their own procedures
Benefit in kind or cash benefit	School clothing grant (LAs)	<p>Discretionary - offered by some local authorities. Eligibility varies depending on the local authority but often includes receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Child Tax Credit (providing you don't receive Working Tax Credit and earn less than £16,190) • income-related Employment and Support Allowance

	Passported Benefit	Eligibility
Cash benefit	16-19 Bursary Fund (BIS)	<p>A group categorised as vulnerable, which includes 16-19 year olds receiving:</p> <ul style="list-style-type: none"> • Income Support • Employment and Support Allowance and DLA
Benefit in kind	Health costs: free prescriptions (DH)	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension <p>Credit for partners under 60 People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own

	Passported Benefit	Eligibility
Benefit in kind	Health costs: wigs and fabric support (DH)	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Benefit in kind	Health costs: dental treatment (DH)	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own.

	Passported Benefit	Eligibility
Benefit in kind	Health costs: optical treatment – sight tests (DH)	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for partners under 60 <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Discount	Health costs: optical treatment – optical vouchers (DH)	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own

	Passported Benefit	Eligibility
Cash benefit	Health costs: travel costs (DH)	<p>Everyone receiving the following benefits (and their partner and dependent children) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners and any dependent children <p>People (and their partner and dependent children) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Benefit in kind	Healthy Start vouchers and vitamins (DH)	<p>Healthy Start supports pregnant women, new mothers, and children under four years old in families receiving:</p> <ul style="list-style-type: none"> • Income Support • Income-related Employment and Support Allowance • Income-based Jobseeker's Allowance • Child Tax Credit without Working Tax Credit (except Working Tax Credit run on) and an annual family income of £16,190 or below.

	Passported Benefit	Eligibility
Benefit in kind	Remission from HMCTS Fees (MoJ)	<p>In the civil and family courts an individual in receipt of any of the following benefits:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Working Tax Credit but not also receiving Child Tax Credit <p>In addition to those listed above, the Tribunals prescribe the following benefits:</p> <ul style="list-style-type: none"> • Housing Benefit • Council Tax Benefit • Jobseeker's (NI) Order 1995 • State Pension Credit Act (NI) 2002 • Working Tax Credit with a GAI X amount (£14,213 – Leasehold Valuation <ul style="list-style-type: none"> £16,190 – Residential Property £17,474 – Gambling Appeals £18,008 – Gender Recognition Panel) or less providing Child Tax Credit or a disability or severe disability element is also received. • Working Tax Credit provided Child Tax Credit or a disability or severe disability element is also received
Benefit in kind	Legal Aid (MoJ)	<p>Those in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit

	Passported Benefit	Eligibility
Cash benefit	Help with prison visiting costs (NOMS)	<p>Those in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Working Tax Credit • Child Tax Credit • the disability element in Working Tax Credit • Working Tax Credit with Child Tax Credit [Gross annual household income must not exceed the Working Tax Credit and Child Tax Credit amount (£17,474)] • Health Certificate
Cash benefit	Sure Start Maternity Grant (DWP)	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award
Cash benefit	Cold Weather Payments (DWP)	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>Those in receipt of income-related Employment and Support Allowance in the assessment phase, Income Support, and income-based Jobseeker's Allowance must have either a pensioner or disability premium, a disabled child premium, Child Tax Credit with a disability element, or a child under 5</p>

	Passported Benefit	Eligibility
Cash benefit	Funeral Payments (DWP)	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award • Housing Benefit • Council Tax Benefit
Discount	BT Basic	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>Not everyone on these benefits will be able to get BT Basic (other conditions apply)</p>

	Passported Benefit	Eligibility
Discount	WaterSure (DEFRA)	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Council Tax Benefit • Housing Benefit • Income Support • Income-based Jobseeker's Allowance • Working Tax Credit • Child Tax Credit (except families in receipt of the family element only) • income-related Employment and Support Allowance <p>In addition, you need to either:</p> <ul style="list-style-type: none"> • be responsible for three or more children under the age of 19 and in full-time education living in the property • have (or someone living in the property must have) a medical condition which requires significant additional use of water <p>Examples of medical conditions include weeping skin diseases (such as psoriasis), Crohn's disease or ulcerative colitis</p>
Discount	Warm Home Discount (DECC)	<p>Eligibility is set by the individual energy companies.</p> <p>For example receipt of one of the following means tested eligible benefits is used by British Gas*:</p> <ul style="list-style-type: none"> • Income-related Employment and Support Allowance • Income-based Jobseeker's Allowance • Income Support <p>* Eligibility requires the household to include a child aged 5 years or under or for the account holder to be in receipt of Child Tax Credit, Disability Premium, or Pensioner Premium</p>

	Passported Benefit	Eligibility
Benefit in kind	Energy Company Obligation - Affordable Warmth Target and Carbon Emissions reductions (DECC)	Proposal: those eligible for Cold Weather Payments or receiving Child Tax Credit with an income less than £16,190. Focus on providing support to low income households, identified by entitlement to certain means tested benefits and tax credits, who are also vulnerable to detrimental health impacts from living in cold homes
Discount	Voluntary Social Tariffs from utility companies	Varies depending on scheme - eligibility set by individual companies
Discount	Leisure services, e.g. free swimming	Varies between local authorities but usually requires the receipt of one of the following: <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance
Discount	Bus and Tram Discount Scheme (TfL)	Available to help Londoners aged 18-60 receiving: <ul style="list-style-type: none"> • Income Support • Employment and Support Allowance • Jobseeker's Allowance for a minimum of 13 weeks
Discount	Jobcentre Plus discount travel card (DWP)	Reduced rail fares in England and Wales for Jobseeker's Allowance (JSA) claimants over 6 months unemployed who have not been referred to the Work Programme: <ul style="list-style-type: none"> • JSA 18 to 24 year old claimants from 6 to 9 months unemployed • JSA 25 year old and over from 6 to 12 months unemployed • IB/ESA/IS claimants actively engaged with an adviser in returning to employment

	Passported Benefit	Eligibility
Cash benefit	Pest Control Services (LAs)	<p>Varies between local authorities but usually requires the receipt of one of the following:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance

Scotland⁶³

	Passported Benefit	Eligibility
Benefit in kind	Free School Meals	<p>Pupils and pupils whose parents are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit, but not Working Tax Credit, with an income less than £15,860 • Working Tax Credit and Child Tax Credit, with an income less than £6420 • Support under Part VI of the Immigration and Asylum Act 1999
Cash benefit/ Voucher	School Clothing Grant	<p>This varies by Local Authority. The design of the provision/ assistance, the criteria and the value are not prescribed in legislation and are a matter for local authorities to make decisions on. The criteria set may be fully or partly in line with eligibility for FSMs, however, it may also link to other references within the existing welfare system</p>
Benefit in kind	Individual Learning Accounts	<p>Available to all Scottish Residents with an income of £22,000 or less or who are on benefits</p>
Benefit in kind	Health costs: dental treatment	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own

⁶³ Note: NHS prescriptions and eye tests are free of charge to all patients in Scotland

	Passported Benefit	Eligibility
Discount	Health costs: optical treatment – optical vouchers	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Cash benefit	Health costs: travel costs	<p>Everyone receiving the following benefits (and their partner and dependent children) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners and any dependent children <p>People (and their partner and dependent children) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own

	Passported Benefit	Eligibility
Benefit in kind	Healthy Start vouchers and vitamins	<p>Healthy Start supports pregnant women, new mothers, and children under four years old in families receiving:</p> <ul style="list-style-type: none"> • Income Support • Income-related Employment and Support Allowance • Income-based Jobseeker's Allowance • Child Tax Credit without Working Tax Credit (except Working Tax Credit run on) and an annual family income of £16,190 or below
Benefit in kind	Legal Aid	<p>Legal aid is available to a person where, on application, the Scottish Legal Aid Board is satisfied that they have probable cause, and it is reasonable in the particular circumstances of the case that they should receive legal aid.</p> <p>Applicants receiving:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>are financially passported, i.e. they qualify financially for civil legal aid with no contribution</p>
Benefit in kind	Exemption from Court Fees	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-related Employment and Support Allowance • Income-based Jobseeker's Allowance • Working Tax Credit (including Child Tax Credit) and gross annual income is £16,642 or less, Working Tax Credit with a disability/severe disability element and gross annual income is £16,642 or less

	Passported Benefit	Eligibility
Cash benefit	Help with prison visiting costs	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Working Tax credit • Child Tax Credit • the disability element in Working Tax Credit • Working Tax Credit with Child Tax Credit • Gross annual household income must not exceed the Working Tax Credit and Child Tax Credit amount (£17,474) • Health Certificate
Cash benefit	Sure Start Maternity Grant	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award
Cash benefit	Cold Weather Payments	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>Those in receipt of income-related Employment and Support Allowance in the assessment phase, Income Support, and income-based Jobseeker's Allowance must have either a pensioner or disability premium, a disabled child premium, Child Tax Credit with a disability element, or a child under 5</p>

	Passported Benefit	Eligibility
Cash benefit	Funeral Payments	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award • Housing Benefit • Council Tax Benefit
Discount	BT Basic	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>Not everyone on these benefits will be able to get BT Basic (other conditions apply)</p>
Discount	Warm Home Discount	Eligibility is set by the individual energy companies
Discount	Leisure services (Local Authorities)	<p>This varies by local authority. For example:</p> <p>Facilities can be used at up to 50% of the normal charge for those with a Concession Card. A person will qualify for a Concession Card if they are in receipt of one of the following:</p> <ul style="list-style-type: none"> • Jobseeker's Allowance • Income Support • Tax Credits (in some cases) • Long Term incapacity Benefit • Employment and Support Allowance
Benefit in kind	Children's welfare loans	<p>Persons in receipt of:</p> <ul style="list-style-type: none"> • Income support • Working tax credit • Jobseeker's Allowance

Wales⁶⁴

	Passported Benefit	Eligibility
Benefit in kind	FSM and free school milk	<p>Registered pupils whose parents/guardians are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit (providing you don't receive Working Tax Credit and earn less than £16,190) • Support under part VI of the Immigration and Asylum Act 1999 • the Guarantee element of State Pension Credit <p>Schools and local authorities are not required to provide milk but where they chose to do so it must be provided free of charge to those pupils eligible for free school meals</p>
Benefit in kind or cash benefit	All Wales School Uniform Grant	<p>Available to:</p> <ul style="list-style-type: none"> • pupils in Year 7 of maintained schools in Wales who are eligible for free school meals • pupils in special schools, special needs resource bases and pupil referral units in Wales who are aged 11 at the start of the school year and who are eligible for free school meals
Benefit in kind or cash benefit	Discretionary school clothing grant	<p>The eligibility criteria and amount of support varies depending on the LA but often includes receipt of :</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Child Tax Credit, providing Working Tax Credit is not received and the family's income does not exceed £16,190 (for 2011/12) • Income-related Employment and Support Allowance

⁶⁴ Note: all patients registered with a Welsh GP and who get their prescription from a Welsh pharmacy are entitled to free prescriptions. Welsh patients registered with an English GP who get their prescriptions from a Welsh pharmacy also get free prescriptions

	Passported Benefit	Eligibility
Benefit in kind	Exemption from paying the cost of board and lodging on residential trips in schools	<ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance <p>In receipt of any other benefit or allowance, or entitled to any tax credit under the Tax Credits Act 2002 or element of such a tax credit, as may be prescribed by regulations from time to time. Currently the following are prescribed:</p> <ul style="list-style-type: none"> • Child Tax Credit, providing Working Tax Credit is not also received and the family's income (as assessed by Her Majesty's Revenue and Customs) does not exceed £16,190 (for 2011/12) i.e. children who are eligible to receive free school meals. • Income-related Employment and Support Allowance
Cash benefit	Health costs: travel costs	<p>Everyone receiving the following benefits (and their partner and dependent children) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners and any dependent children <p>People (and their partner and dependent children) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own

	Passported Benefit	Eligibility
Benefit in kind	Health costs: dental treatment	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Benefit in kind	Health costs: optical treatment – sight tests	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for partners under 60 <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own

	Passported Benefit	Eligibility
Benefit in kind	Health costs: optical treatment – optical vouchers	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Benefit in kind	Healthy Start vouchers and vitamins	<p>Healthy Start supports pregnant women, new mothers, and children under four years old in families receiving:</p> <ul style="list-style-type: none"> • Income Support, • Income-related Employment and Support Allowance • Income-based Jobseeker's Allowance • Child Tax Credit without Working Tax Credit (except Working Tax Credit run on) and an annual family income of £16,190 or below.
Benefit in kind	Legal Aid	<p>Those in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance

	Passported Benefit	Eligibility
Benefit in kind	Remission from HMCTS fees	<p>In the civil and family courts an individual in receipt of any of the following benefits:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Working Tax Credit but not also receiving Child Tax Credit <p>In addition to those listed above, the Tribunals prescribe the following benefits:</p> <ul style="list-style-type: none"> • Housing Benefit • Council Tax Benefit • Jobseeker's (NI) Order 1995 • State Pension Credit Act (NI) 2002 • Working Tax Credit with a GAI X amount (£14,213 – Leasehold Valuation £16,190 – Residential Property £17,474 – Gambling Appeals £18,008 – Gender Recognition Panel) or less providing Child Tax Credit or a disability or severe disability element is also received • Working Tax Credit provided Child Tax Credit or a disability or severe disability element is also received
Cash benefit	Help with prison visits	<p>To qualify for assistance under the scheme you must be in receipt of one of the following benefits:</p> <ul style="list-style-type: none"> • Income Support • Employment and Support Allowance • income-based Jobseeker's Allowance • Tax Credits

	Passported Benefit	Eligibility
Cash benefit	Cold Weather Payments	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>Those in receipt of ESA(IR) in the assessment phase, IS, JSA(IB) must have either a pensioner or disability premium, a disabled child premium, CTC with a disability element, or a child under 5</p>
Cash benefit	Funeral Payments	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award • Housing Benefit • Council Tax Benefit
Cash benefit	Sure Start Maternity Grant	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award
Discount	BT Basic	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>Not everyone on these benefits will be able to get BT Basic (other conditions apply)</p>

	Passported Benefit	Eligibility
Discount	Welsh Water Assist	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Working Tax Credit • Child Tax Credit (except families in receipt of the family element only) • Income-related Employment and Support Allowance <p>In addition, you need to either:</p> <ul style="list-style-type: none"> • be responsible for three or more children under the age of 19 and in full-time education living in the property • have (or someone living in the property must have) a medical condition which requires significant additional use of water. Examples of medical conditions include weeping skin diseases (such as psoriasis), Crohn's disease or ulcerative colitis.
Discount	The Nest programme (home energy efficiency grants in Wales)	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit income below £15,860 • Working Tax Credit income below £15,860
Cash benefit	Disabled Facilities Grants	Income based benefits
Cash benefit	Non Residential Care	Income based benefits

Northern Ireland⁶⁵

	Passported Benefit	Eligibility
Benefit in kind	Free School Meals	<p>A pupil is entitled to free school meals where the household is in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit and is ineligible for Working Tax Credit because he/she works less than 16 hours per week; and has an annual taxable income not exceeding an amount as determined by the Department (currently £16,190) • Working Tax Credit during the four-week period immediately after their employment finishes or after they start to work less than 16 hours per week • Working Tax Credit and has an annual taxable income not exceeding an amount as determined by the Department (currently £16,190) and the pupil attends a nursery or primary school • Support under part VI of the Immigration and Asylum Act 1999 • the Guarantee element of State Pension Credit <p>Or where:</p> <ul style="list-style-type: none"> • the pupil has a statement of special educational needs and is designated to require a special diet • the pupil is a boarder at a special school • the pupil presents at school hungry and the school determines that meals should be provided on humanitarian grounds.

⁶⁵ Note: NHS prescriptions are free of charge to all patients in Northern Ireland

	Passported Benefit	Eligibility
Benefit in kind	Board and lodging on residential school trips	<p>Pupils whose parents are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit
Benefit in kind	Pre-school Admissions Arrangements	<p>Children whose parents are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance
Cash benefit	School Clothing Allowance (school uniform grant)	<p>A pupil is entitled to school clothing allowance where the household is in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit and is ineligible for Working Tax Credit because he/she works less than 16 hours per week; and has an annual taxable income not exceeding an amount as determined by the Department (currently £16,190) • Working Tax Credit and has an annual taxable income not exceeding an amount as determined by the Department (currently £16,190) and the pupil attends a primary school • Support under part VI of the Immigration and Asylum Act 1999 • the Guarantee element of State Pension Credit

	Passported Benefit	Eligibility
Discount	Concessionary Further Education fees	<p>Students in receipt of:</p> <ul style="list-style-type: none"> • Income-based Jobseeker's Allowance • Income Support • Working Tax Credit (with NHS Exemption and income threshold £16,350) • Child Tax Credit (income threshold £16,350) • Pension Credit • Rates Relief • income-related Employment and Support Allowance • Other means tested benefit
Benefit in kind	Health costs: dental treatment	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own

	Passported Benefit	Eligibility
Benefit in kind	Health costs: optical treatment – sight tests	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for partners under 60 <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Discount	Health costs: optical treatment – optical vouchers	<p>Everyone receiving the following benefits (and their partner if they have one) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners <p>People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own.

	Passported Benefit	Eligibility
Cash benefit	Health costs: hospital travel costs scheme	<p>Everyone receiving the following benefits (and their partner and dependent children) is eligible:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit for working age partners and any dependent children <p>People (and their partner and dependent children) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:</p> <ul style="list-style-type: none"> • Working Tax Credit with a disability or severe disability element • Child Tax Credit with Working Tax Credit • Child Tax Credit on its own
Benefit in kind	Healthy Start vouchers and vitamins	<p>Healthy Start supports pregnant women, new mothers, and children under four years old in families receiving:</p> <ul style="list-style-type: none"> • Income Support • income-related Employment and Support Allowance • Income-based Jobseeker's Allowance • Child Tax Credit without Working Tax Credit (except Working Tax Credit run on) and an annual family income of £16,190 or below
Benefit in kind	Legal Aid	<p>Those in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • the Guarantee element of State Pension Credit

	Passported Benefit	Eligibility
Benefit in kind/ discount	Exemptions and Remissions policy relating to civil court fees	<p>1. Exemption</p> <p>With the exception of Probate and Patients fees, where only remission can be applied for, exemption from paying a fee can be granted if the Applicant receives:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Working Tax Credit and their gross annual income is less than £16,071 and either – <ul style="list-style-type: none"> i) Child Tax Credit is paid to the Applicant, or a claim has been made jointly by the members of a couple; or ii) The Working Tax Credit has a Disability Element or Severe Disability Element (or both). Please note that an applicant will not qualify for exemption if: <ul style="list-style-type: none"> • S/he is receiving legal aid; or • S/he is receiving funding from an insurance company, trade union or other source <p>2. Remission</p> <p>If a person fails to meet the criteria for exemption or the fee relates to probate or patients, they can apply to have the fee remitted if he/she feels that the payment of the fee would cause them to suffer financial hardship or some other reasonable cause. All the applicant's circumstances will be taken into account and considered.</p>

	Passported Benefit	Eligibility
Cash benefit	Prison visit scheme	<p>Claimant must be receiving eligible benefits as set out in Customer Service Guide (PV11). Income limit is £17,474 as set out by the Treasury. Payment is considered if the visitor lives in Northern Ireland, is a close relative of the prisoner and is entitled to:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit (CTC), or Working Tax Credit (WTC) with CTC, or WTC with a disability element; - Note: in all these cases annual income as shown on the award notice must not exceed £17,474 • help with healthcare costs because they hold an exemption certificate HC2 (Full Help) or HC3 (Partial Help) issued by the Social Security Agency
Cash benefit	Sure Start Maternity Grant	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award

	Passported Benefit	Eligibility
Cash benefit	Cold Weather Payments	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>Those in receipt of income-related Employment and Support Allowance in the assessment phase, Income Support, and income-based Jobseeker's Allowance must have either a pensioner or disability premium, a disabled child premium, Child Tax Credit with a disability element, or a child under 5</p>
Cash benefit	Funeral Payments	<p>The qualifying benefits are:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Child Tax Credit at a rate higher than the family element • Working Tax Credit where a disability or severe disability elements is included in the award • Housing Benefit • Council Tax Benefit
Benefit in kind	Warm Homes Scheme	Receipt of a range of means tested benefits, decided by DSD
Benefit in kind	Disabled Facilities Grant (DFG)	<p>Receipt of income based benefits can result in the grant applicant automatically being eligible for a 100% grant, subject to verification of the particular benefits:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance

	Passported Benefit	Eligibility
Cash benefit	Home Repairs Assistance Grant (HRAG)	<p>The HRAG is a discretionary grant which is available to home owners and tenants to carry out external repairs to their property. No means test is undertaken for this grant type. The grant applicant must however be on one of the following means tested benefits or be infirm or have a disability at the date of application to be considered:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance • Working Tax Credit
Cash benefit	Replacement Grant	<p>Receipt of income based benefits can result in the grant applicant automatically being eligible for a 100% grant, subject to verification of the particular benefits:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance
Cash benefit	Renovation Grant	<p>Receipt of Income based benefits can result in the grant applicant automatically being eligible for a 100% grant, subject to verification of the particular benefits:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance

	Passported Benefit	Eligibility
Benefit in kind	Group Repair	<p>Terraces of properties which are included in the scheme have to meet criteria laid down by DSD regarding the % of properties in disrepair (at least 75%) and % of residents in receipt of listed benefits (at least 25%). Work is carried out to the external of the properties by Housing Executive with the owner's agreement. Owners who are in receipt of:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseeker's Allowance • Income-related Employment and Support Allowance <p>will be passported to a NIL contribution towards the cost of any Group repair work.</p>

Annexe 4 Our Approach to the Review and List of Respondents

A sub-group of SSAC members was formed to take responsibility for the review, led by the Deputy Chair, and supported by Dr Nicola Moss, the SSAC Research and Policy Specialist, and other members of the SSAC Secretariat.

Review Activities

1. The Committee launched a public consultation exercise in June 2011. We invited contributions from a wide variety of Stakeholders. The consultation sought information about:
 - the value and importance of passported benefits
 - the extent to which they might influence the decisions people take about moving into and staying in work
 - the key issues to be considered in the design of passported benefits under UC
 - the potential advantages and disadvantages for claimants, delivery agents and advice services of changing the disability criteria under UC
 - how passported benefits might be designed to enhance work incentives
 - how passported benefits might be simplified in future
 - the implications of cashing-up passported benefits within UC
 - how passported benefits might be withdrawn as earnings rise to avoid cliff-edges in income

We received over 60 responses.

2. The Committee consulted academics in the field of social security to identify relevant research evidence that might inform the review. We received one response. Other academics replied to say that they knew of no research relevant to passported benefits.
3. The Committee undertook a consultation exercise with government departments responsible for the key passported benefits in order to:
 - understand the specific policy objectives
 - collect information about eligibility criteria, delivery mechanisms, take up, and the costs of provision
 - seek views on the options for change under UC
4. Professor Walker and Dr Moss met with officials across government on several occasions to discuss options for the future and explore the constraints they face in making changes that would be cost-neutral.

5. Professor Walker and Dr Moss met with officials from the devolved administrations to consider the similarities and differences in the delivery of passported benefits in the different countries and understand the ways they might deliver passported benefits in the future. A separate consultation was held in Northern Ireland, organised by the Universal Credit Programme, NI Social Security Agency.
6. Professor Walker and Dr Moss met regularly with members of the DWP UC policy team to discuss progress and ensure that we were abreast of developments relating to welfare reform and UC.
7. Members of the SSAC passported benefits subgroup (Professor Kempson and Mr Andrews) consulted providers of social tariffs, including Wessex Water, WaterUK and BT to understand how the change to UC would impact on them and consider options for the future.
8. We conducted five focus groups with CAB advisers across England and Wales (Leeds, London, Nottingham, Taunton and Cardiff) in order to:
 - seek their views about the advantages and disadvantages of the current system of passported benefits
 - consider how benefit claimants value passported benefits
 - understand the kinds of issues claimants face when seeking advice, especially about moving off benefits and going into work
 - explore the opportunities and challenges for the delivery of passported benefits under UC
9. In collaboration with the DWP Insight Team, one focus group was held with benefit claimants and five face-to-face interviews with claimants who had received passported benefits.
10. We held meetings with Stephen Brien, Expert Advisor to the Secretary of State for Work and Pensions, and Deven Ghelani, Senior Researcher at the Centre for Social Justice.
11. The SSAC Annual Stakeholder Event in November 2011 focused on the review of passported benefits, enabling further discussion about the options for the future.
12. The SSAC presented an interim report to the Minister for Welfare Reform in September 2011 and engaged in further discussions with him in the following months.

Respondents to the SSAC Review

Respondents to the public consultation

Zoe Anderson	Access to Benefits
Eric Bailey	Individual
Gill Biffetti	Individual
Roberta Blackman-Wood	MP
Joanne Brady	East Riding Council
Steve Carey	Leeds City Council
Jacky Chan	Derby City Council
Helen Coates	Fuel Poverty Advisory Group
Ben Cook	College of Optometrists and the Optical Confederation
Francesca Cooney	Prison Reform Trust
Deborah Cowley	Action for Prisoners' Families
Neil Coyle	Disability Alliance
Dr Linda de Caestecker	NHS Greater Glasgow and Clyde
Peter Deaves	Inclusion
Dan Dumoulin	St Mungo's
Dean Eatherton	Individual
David Evans	St Helens Council
Paul Eyres	Individual
Rys Farthing	CPAG
Patricia Fellows	Local Authority Caterers Association
Chris Graham	Local Government Group
Paul Gregg	Bristol University
Christine Haigh	Children's Food Campaign
Danny Hardie	Individual
Julia Harris	Lambeth Council
Colin Hartley	Individual
Kevin Higgins	Advice NI
Helen Hobson	Conwy Borough Council
Julian Hobson	Kirklees Council
Sharon Hodgson	MP
Lizzie Irons	CAB
Helen Jarvis	Individual
Christine Lewis	Unison
Stephen Lutener	Pharmaceutical Services Negotiating Committee
Adam Lyons	Individual
Claire McCarthy	4Children
Steve McIntosh	Carers UK
Jeanette Miller	Individual
Laura Niwa	Law Centre NI
Angela Noble	Individual
Funmi Olasoju	Equality 2025
Ritu Patwari	Barnardo's
Gavin Poole	CSJ
Andrew Rhodes	Welfare Benefits Unit

Sam Royston	Joint Free School Meals
Robin Seaman	BT Group Public Affairs
Jon Shaw	Scottish Campaign on Welfare Reform (SCoWR)
Hilary Sibbald	Individual
Kelly Smith	National Association of Welfare Rights Advisers (NAWRA)
Lesley Stirton	South Lanarkshire Council
Ian Taylor	Southampton Primary Headteachers' Conference
Victoria Todd	Low Incomes Tax Reform Group
Jo Walker	School Food Trust
Colin Warburg	Individual
Nigel Wheatley	Wolverhampton City Council
Rachael White	Knowsley Metropolitan Borough Council
Angela Williams	Wales CAB
Dominic Williams	Individual
Darren Woolfenden	Individual
Maria Zealey	Surrey Welfare Rights Unit

Officials in the Department for Education (DfE), Department of Energy and Climate Change (DECC), Department for Environment, Food and Rural Affairs (DEFRA), Department of Health (DH), Department of Health – Healthy Start, Department for Work and Pensions (DWP), Ministry of Justice (MoJ) and the National Offender Management Service (NOMS).

Officials from the Northern Ireland Assembly, Scottish Government and Welsh Government.

Annexe 5 International Comparisons: Provisions for Passported Benefits in Other Countries

	School meals	Health benefits	Energy costs
France	Not passported. Around 50% of the school meal cost is state subsidised; the rest is borne by parents who pay according to a means-tested five-tier scale.	Partially passported. Health benefits provided through compulsory insurance system. State provides free health insurance cover for those on a low income (including the unemployed, employed, or self-employed).	Partially passported. Special reduced electricity tariff (Tarif de Première Nécessité) for those on a low income (i.e. those whose income would make them also eligible for free health insurance cover).
Ireland	Not passported. Free meals are provided to all children in <u>schools</u> designated as “disadvantaged” and those in Gaeltacht (Irish-speaking regions) areas.	Partially passported. Free healthcare (prescriptions/prosthesis/spectacles) only available to those over age 70 with income below specified thresholds, or to those under 70 with much lower income thresholds (than the over 70s).	Passported. Fuel Allowance of €20 a week is payable for up to 32 weeks per annum to recipients of Supplementary Welfare Allowance, Jobseeker’s Allowance (long-term), Disability Allowance, One Parent Family Payment, Blind Pension, Farm Assist, Widow’s and Widower’s (Non-Contributory) Pension and State Pension (Non-Contributory). Smokeless Fuel Allowance: €3.90 per week for 32 weeks per annum – subject to being in receipt of a payment for a minimum of 3 months. A smokeless fuel allowance may be paid in addition to a fuel allowance or on its own.

<p>Sweden</p>	<p>Not passported. Free meals are available to all children in compulsory education, regardless of family income.</p>	<p>Partially passported. Payment required from patient for GP visits and prescriptions and hospital stays (but charges for latter may be reduced for those on certain benefits or on low income).</p>	<p>No general help provided for heating costs. Housing allowance can include a portion of heating costs in the benefit calculation.</p>
<p>New Zealand</p>	<p>Not passported. No national school meals service. Over 90% of children bring a packed lunch to school.</p>	<p>Passported. People on low incomes are eligible for help towards health-care costs. Access is via an entitlement card system - the Community Service Card. Where a person qualifies for a card, and requires medical treatment for which there is a fee, such as out-of-hours GP consultations, prescriptions or out-patient treatment, presentation of the card gives access to a reduced charge. Community Service Cards are automatically available to people receiving the benefits below</p> <ul style="list-style-type: none"> • Child Disability Allowance • Domestic Purposes Benefit • Emergency Benefit • Independent Youth Benefit • Invalids Benefit • Orphans Benefit • Residential Care Subsidy 	<p>No general help provided for heating costs. Disabled people in receipt of Disability Allowance can get help with heating costs.</p>

		<ul style="list-style-type: none"> • Sickness Benefit • Student Allowance • Unemployment Benefit • Unsupported Childs Benefit • Veterans Pension • Widows Benefit. 	
USA	<p>Passported. All children in households with any household member receiving benefits under the following Assistance Programmes are eligible for free school meals:</p> <ul style="list-style-type: none"> • Supplemental Nutrition Assistance Programme (SNAP) – previously known as food stamps. • Food Distribution Program on Indian Reservations (FDPIR) • Temporary Assistance for Needy Families (TANF is a Federal designation; each State has its own name and acronym for the programme) 	<p>Medicaid provides health coverage or nursing home coverage to certain categories of low-income people, including children, pregnant women, parents of eligible children, people with disabilities and elderly needing nursing home care. The exact eligibility rules vary from state to state and from group to group. However, recipients of Security Supplemental Income (federally administered) have automatic entitlement to Medicaid.</p>	<p>The Low-Income Home Energy Assistance Programme (LIHEAP) enables most States to provide assistance to low income households with their heating and air-conditioning bills and low-cost weather-proofing. States have considerable discretion to determine eligibility criteria and the forms of assistance they offer. Generally, they can make recipients of Security Supplemental Income, TANF and Veterans Pensions automatically eligible for the benefits and extend them to other low income households.</p>

Annexe 6 Income Replacement under UC: Withdrawal of Free School Meals at a Fixed Income Threshold

Table A6.1 clearly shows the impact of the withdrawal of free school meals at a fixed income threshold (over £6,000) under UC for a lone parent with two children and housing costs in work at the National Minimum Wage.

Lone parent A receives UC but does not take-up free school meals. Lone parent B also receives UC but does take-up free school meals for her two children (the value of which is assumed to be £10/week per child). Up to 19 hours (the income threshold point) the gains to work under UC for the two lone parents in the example are equal, as lone parent B is not yet impacted by the withdrawal of free school meals.

However, once lone parent B increases their hours over the threshold point (beyond 19 hours) free school meals are withdrawn in full. Their gains to work are therefore reduced as a result of the loss of free school meals (plus tax, NI and the UC taper). Lone parent B would not break even (i.e. realise the same gains from work as at 19 hours) until the 30 hours point. Beyond the threshold point lone parent B would need to work an additional 12 hours (per week) in order to realise an additional gain of £1 from work.

A lone parent under the same circumstances but with one child would reach the threshold at 19 hours and would break even by 24 hours (as the initial value of free school meals would be less than in the example above).

If the same lone parent (one child) were working at the Average Wage rather than the National Minimum Wage the threshold point would be reached earlier (at 10 hours) and they would break even at 16 hours, i.e. they would need to work an extra 6 hours in order to realise an additional gain of £1 from work.

Table A6.2 provides the same illustration (the impact of the withdrawal of free school meals at a fixed income threshold (over £6,000) under UC), but for a couple household with one child and housing costs, where one person is working full-time at the National Minimum Wage and the other is working 16 hours at the National Minimum Wage.

Couple household A receives UC but do not take-up free school meals. Couple household B also receives UC and do take-up free school meals for their child (the value of which is assumed to be £10/week). In this case the threshold point for the main earner is reached at 4 hours. Once free school meals are withdrawn and compounded by tax, NI and the UC taper the gains to work are reduced for household B. The main earner in household B would break even at 14 hours. Therefore, beyond the threshold point the main earner in household B would need to work an additional 10 hours in order to realise an additional gain of £1 from work.

Table A6.1 Withdrawal of free school meals at a fixed income threshold for a lone parent household⁶⁶

Hours Worked per week	Lone parent A (No FSMs): Gains to work per week under Universal Credit (£)	Lone parent B (FSMs): Gains to Work per week under Universal Credit (£) with Free School Meals withdrawn at £6,000	
1	6	6	
2	12	12	
3	18	18	
4	24	24	
5	30	30	
6	36	36	
7	42	42	
8	48	48	
9	54	54	
10	60	60	
11	62	62	
12	64	64	
13	67	67	
14	69	69	
15	71	71	
16	73	73	
17	75	75	
18	77	77	
19	79	79	Income Threshold Point
20	81	61	
21	83	63	
22	85	65	
23	87	67	
24	89	69	
25	91	71	
26	93	73	
27	94	74	
28	96	76	
29	97	77	
30	99	79	Break Even Point
31	100	80	
32	102	82	
33	103	83	
34	104	84	
35	106	86	
36	107	87	
37	109	89	
38	110	90	
39	112	92	
40	113	93	

⁶⁶ This table has been produced for SSAC by DWP. The analysis has been verified within DWP but has not been independently verified.
DWP, Universal Credit Hypothetical Household Model, 2014/15 (2011 prices)

Table A6.2 Withdrawal of free school meals at a fixed income threshold for a couple household⁶⁷

Hours Worked per week	Couple household A (No FSMs): Gains to work per week under Universal Credit (£)	Couple household B (FSMs): Gains to Work per week under Universal Credit (£) with Free School Meals withdrawn at £6,000	
1	2	2	
2	4	4	
3	6	6	
4	8	-12	Threshold Point
5	10	-10	
6	13	-7	
7	15	-5	
8	17	-3	
9	19	-1	
10	21	1	
11	23	3	
12	25	5	
13	27	7	
14	29	9	Break Even Point
15	31	11	
16	33	13	
17	36	16	
18	38	18	
19	40	20	
20	42	22	
21	44	24	
22	46	26	
23	48	28	
24	50	30	
25	52	32	
26	54	34	
27	55	35	
28	57	37	
29	58	38	
30	59	39	
31	61	41	
32	62	42	
33	64	44	
34	65	45	
35	66	46	
36	68	48	
37	69	49	
38	71	51	
39	72	52	
40	74	54	

⁶⁷ This table has been produced for SSAC by DWP. The analysis has been verified within DWP but has not been independently verified.
DWP, Universal Credit Hypothetical Household Model, 2014/15 (2011 prices)



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