



Passported Benefits

**A response to the SSAC Consultation on Passported Benefits
and Universal Credit.**

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Contents

About CPAG	3
Question 1	3
Question 2	3
Question 3i	3
Question 3ii	8
Question 3iii	8
Question 4	9
Question 5	10
Question 7	11
Question 8	12
Question 9	12
CPAG's recommendations	13

1. The Child Poverty Action group (CPAG) welcomes the opportunity to provide feedback to the Social Security Advisory Committee's consultation on passported benefit provision under the Universal Credit. Universal Credit will replace the out of work benefits and tax credits that currently passports many people to a range of financial and in-kind benefits, from free school meals to legal aid. The introduction of the Universal Credit, to be phased in from 2013, therefore forces an important reshaping of entitlement to passported benefits and presents an opportunity to improve current passporting regimes. The need to improve and harmonise passporting criteria is both timely and critical – CPAG feel that both the roll out of, and the intent behind, the Universal Credit could be dramatically undermined unless we get entitlement to passported benefit right from the outset.
2. The Child Poverty Action Group promotes action for the prevention and relief of poverty among children and families with children. Part of our function is to provide advice and training regarding welfare and benefits to advice workers around the country, as well as legal representation for claimants in disputes. We produce a range of welfare rights publications, as well as hosting the National Association of Welfare Rights Workers (NAWRA). In addition to this welfare rights function, we also undertake policy and research analysis.
3. This submission builds on this expertise, and was informed by the experience of our welfare rights workers as well as our policy team. It is intended to be read in conjunction with our discussion paper specifically addressing Free School Meal entitlement, which was written in response to conversations held with other organisations in the child poverty sector, and NAWRA's and SCoWR submission.

Q1: The list of passported benefits.

4. The Annexed list of English passported benefits provided in the SSAC is comprehensive, although we feel it is important to note that access to the social fund is also tied to receipt of benefits (and could therefore be regarded as a type of passported access) and access to Sure Start Maternity Grants should also be regarded as a passported benefit for eligible mothers.
5. Whilst the list covers provision in England accurately, the situation is very different in other parts of the UK, where responsibility for passported benefits has been devolved. It is vital that the Committee's response acknowledges this; and considers whether its recommendations will interfere with or enhance the ability of devolved administrations to set their own criteria and deliver entitlements in an efficient and claimant-friendly manner.

Q2: Claimants we represent.

6. Child Poverty Action Group provides a second tier level of support for benefit claimants. We work with Citizen's Advice Bureaux and other welfare rights

workers to provide skills and capacity for difficult cases that cannot be resolved by front line welfare rights workers. We often run test cases or lobby for reforms on behalf of claimants who have been referred to us from other welfare rights workers. In addition, we provide extensive training and information material to welfare rights workers.

Q3: Passported benefits and work

Question 3i. Passported benefits and moving in to work.

7. Access to a number of passported benefits is removed when benefit recipients moves in to work, regardless of levels of actual earnings from work. That is, a recipient might lose access to Free School Meals when they take on 2 hours of paid work at minimum wage – and this obviously produces a large financial loss from working. Benefits that are removed when a family moves into work in England include free school meals, free prescriptions, eye and dental care, Warm Front, Bus and Tram discount scheme and often other devolved benefits like school clothing grants.
8. Access to (or the loss of) passported benefits are an important financial and psychological consideration when deciding whether it is viable to move in to paid employment. For many workless families, low incomes, debt and poverty generate barriers to work (such as poor health) while those who move into paid employment may remain in poverty but have additional problems around stress and so called ‘time poverty.’ This means that the decision to move into paid work has to financially ‘pay’ to be a viable option.
9. However too often opportunities to work and choices about work are limited – if available at all. Consideration regarding caring responsibilities, health concerns, work experience, skills and qualifications mean that the part time and or low wage jobs are the most prevalent options available, and are often the most realistic outcome from a decision to enter the workforce.
10. For many people this part time, low paid work simply cannot ‘pay’. When wages are balanced against benefit withdrawal as well as the costs of work (such as transport and childcare), many people simply cannot afford to enter the workforce. While we recognise the overall rationale for introducing the Universal Credit is to simplify the benefits system to ensure that work always pays, unless entitlement to passported benefits is included in this system, work will not always ‘pay’. This is, and will continue to be, a consideration for many low income families who cannot afford the luxury of paying to work.
11. For example, many of our welfare rights workers reported the importance of making ‘better of in work calculations’ with claimants who are considering entering the workforce. One of the welfare rights workers we spoke to suggested that ‘you’ll be telling Mrs Smith that she’ll be £20 a week better off if she goes to work, however when you then factor in things like losing Free School Meals, prescriptions and how much it’s going to cost her to get to work, then she might not be better off at all’

12. Passported benefits are an important consideration in making work pay because of their tremendous net worth to low-income families. The example case of Lucy below highlights this. After moving in to work on minimum wage for 16 hours, accounting for benefits withdrawal and passported benefits in particular, Lucy would only be £4.60 better off per week, or 29p per hour of work. Under a conceivable UC scheme Lucy could be only £18.71 better off for working 16 hours, or £1.17 per hour if access to passported benefits are not extended up the UC income scale. (Although this cannot be calculated exactly as the details are yet to be worked out).

Current benefits regime

Lucy is a lone parent aged 37. She is in receipt of Income Support, Child Tax Credit, Child Benefit and Housing Benefit/Council Tax Benefit. She has two school age children (one aged 13 and one aged 14) and a 2 year old.

Her weekly income is as follows:

- £67.50 Income Support
 - £47.10 Child Benefit
 - £157.88 Child Tax Credit
 - £90 Housing Benefit
 - £10 Council Tax Benefit
-
- **£372.48 Total Income**

As a result of her receipt of Income Support she receives the following passported benefits during term time (we have indicated their financial value to her and worked this out as indicated):

Cash amount	Passported Benefit
£18.80	Free School Meals.(£1.88 per child per school day during term time)
£3.70	Prescriptions. Lucy has a repeat prescription for depression. She gets it renewed every 2 weeks.
£1.48	Eyecare. Lucy is short sighted and goes once per year for a free eye-test (£20) and to purchase glasses using her voucher (£55.10 – Grade B voucher)
£0.65	Dental Care. Lucy goes for two dental visits per year which are free for her but would be £17 each time if she had to pay
£3.10	Healthy Start Vouchers
£6.50	Lucy takes 10 bus trips per week in London to get her children to and from school. These are ½ price as she is on Income Support (They normal cost £1.30 per journey, but she is charged only 65p)
£1.27	School Uniform Grant. In Bexley where she lives the LA gives £62.50 over a three year period for each of her school age children. That is £20.83 per child per year or £41.66 for them both.
£1.35	BT Basic. Lucy gets her phoneline cheaper as she is on Income Support (This normally costs at least £10 per month, but she is charged only £4.60 per month)
£0.60	Leisure. Lucy goes swimming once a week with the kids. The normal fee is £1.80 for each child (not the two year old). The fee is only £1.50 per child as she is on Income Support
£37.45	Total Value of Passported Benefits

Passported benefits

Lucy is offered a job at the minimum wage for 16 hours per week which she can do during school hours. Her mother is able to provide free childcare for her youngest child. If she takes the job her income will be as follows:

- £94.88 Wages (no tax or NI at this income) at £5.93x16
 - £47.10 Child Benefit
 - £157.88 Child Tax Credit
 - £74.42 Working Tax Credit
 - £39.70 Housing Benefit
 - £0 Council Tax Benefit
-
- **£413.98 Total Income**

On the face of it Lucy will be better off by £41.50 per week. However, to truly assess whether she is better off in work it is necessary to consider any loss of passported benefits. Lucy, in work on this income, will receive passported benefits as follows:

Cash amount	Passported Benefit
£0	Free School Meals. These stop as she is not entitled despite CTC given she gets WTC
£0	Prescription. She gets no help with these
£0.55	Eyecare. As she is no longer eligible for full help she applies for the NHS low income scheme but still has to pay something herself. Her resources exceed her income under this scheme as follows: requirements = £137.8 income = £149.30 Income exceeds requirements by £11.50. She is expected to pay that much herself towards her sight test and twice that much towards the glasses. That means she gets £6.50 towards her sight test and £22 towards her glasses
£0.	Under the NHS low income scheme she has to pay 3 times the £11.50 by which her income exceeds her requirements herself and so gets no help with dental costs
£0	Healthy Start Vouchers
£0	Cheap bus fares - not available as she is not on IS
£0	School Uniform Grant- this is not available as she is not on IS
£0	BT Basic- not available as she is not on IS.
£0	Leisure- Lucy now has to pay the full £1.80 for each child to go swimming.
£0.55	Total Value of Passported Benefits

So Lucy loses £36.90 per week of passported benefits. **She is therefore only truly better off by £4.60 per week for working 16 hours per week under the current scheme, or 29p per hour.**

Of course working will also bring additional work related costs, such as travel to work and other work related expenses like needing to use a mobile phone more to keep in contact with the school/carers etc as she is not at home.

Potential Universal Credit (UC) regime

Under UC while out of work we could expect Lucy's entitlement to be broadly similar the current payments – i.e. £315.40 per week.

• £315.40	Universal Credit payment
• £47.10	Child Benefit
• £10	Council Tax Benefit (presumably)

• £372.50	Total Income plus £36.90 worth of passported benefits as calculated above

In work, Lucy would have a £50 per week disregard, after which point she would only keep 35p in every pound earned. For earnings of £94.88 per week, she would therefore have £29.12 of her UC drawn down.

• £94.88	Wages (no tax or NI at this income) at £5.93x16
• £286.13	Universal Credit payment
• £47.10	Child Benefit
• £0	Council Tax Benefit (presumably)

• £428.11	Total Income

Under UC Lucy is £55.61 per week better off in work. However, Lucy *could* also lose £36.90 per week in passported benefits and therefore be only £18.71 better off for working 16 hours, or £1.17 per hour.

Keeping in mind that attending work can still increase costs (such as travel costs to get to the place of employment, use of mobile phones to contact carers, etc) unless passported benefits are carefully considered in the design of the UC, the UC may not be able to make work pay.

13. HBAI figures show that although child poverty has fallen, the relationship between in-work and out-of work poverty has changed. These statistics demonstrate that for many people work does not provide an adequate route out of poverty, and that families therefore need financial support to help compensate for low wages. Figure one below shows the number of children living below the poverty line in millions (after housing costs) in working and workless households over time.

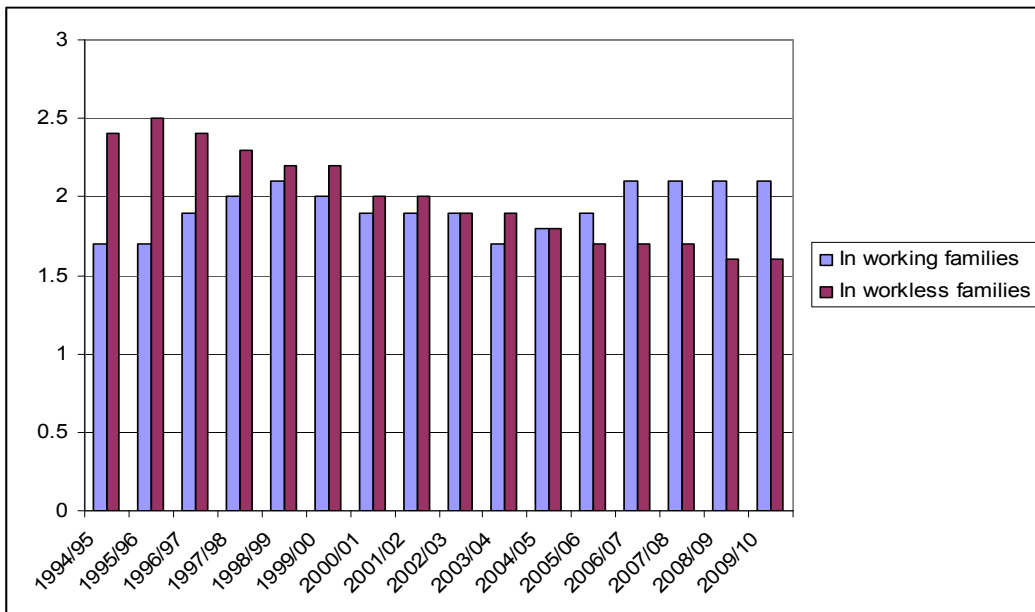


Figure one: numbers of children living below the poverty line in millions (after housing costs) in working and workless households over time.

Question 3ii. Passported benefits and staying in work.

14. As discussed above, for many people passported benefits are an important consideration in deciding their ability to move in to work. Once they are in work however, passported benefits continue to be an important aspect of how 'better off' families continue to be from the decision to undertake paid employment.

Question 3iii. Passported benefits and quality of life.

15. Access to passported benefits can have a dramatic impact on people's quality of life and can improve children's well-being. Impacts can be financial, educational, social as well as producing significant health benefits.

16. As outlined in our also submitted discussion paper on Free School Meal entitlement under Universal Credit, entitlement to school meals can have a dramatic impact on the quality of life for children. Access to school meals has a range of positive wellbeing, health and educational outcomes for children, from improved classroom behaviour to increase KS2 performance.¹ Research has shown that school meals tend to be far healthier than packed lunches: only 1 percent of packed lunches meet the nutritional standards set for school lunches.² We also know that children from low-income families have less

¹ For example: Micheal Berlot and Jonathan James 2009 *Healthy School Meals and Educational Outcomes* Institute for Economic and Social Research Working Paper, and 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 2005 *Turning the tables: transforming school food*.

² BBC News 2010 *Healthy Lunch Boxes a Rarity* (online) <http://news.bbc.co.uk/1/hi/health/8451828.stm> (Accessed Feb 10, 2010)

access to health food otherwise. They eat less vegetables and wholemeal breads, and eat more fat spreads and oils, pizza, processed meats and table sugar than children from other families³. They consume on average half the daily recommended fruit and vegetable intake, exceed recommended daily sugars and fatty acids intakes and often eat inadequate levels of iron, folate and vitamin D.⁴ Access to healthy school meals has tremendous knock on effect for the quality of life for children from low income families.

17. Local Authority passported benefits can influence quality of life. For example, in 2007 Citizens Advice spoke to over 1,000 parents about the cost of schooling where parents identified many 'quality of life issues' that the high costs of school uniforms, and inadequate school uniform grants, led to. 'My daughter is going to grammar school and I'm terrified that I'm not going to be able to meet the costs. I'm also having lots of sleepless nights about how I am going to pay for her uniform which I've added up will come to over £400. I'm beginning to dread them going to school. There really should be much more help available' (Mother of secondary school children, Buckinghamshire).⁵
18. Access to uniform grants also impacted on many children's experience of school. As one parent identified 'my son was disciplined in front of the whole class because he had the wrong trousers on and I could not afford to buy new ones' (Mother of a primary school child, Essex).

Question 4: Key design considerations for the Universal Credit.

19. As highlighted above, the need to get passporting criteria right is critical to ensure that intent behind Universal Credit – to make sure that work always 'pays' – can actually be achieved. Not getting passporting right will dramatically undermined the UC. If access to passported benefits is too restricted it will create work disincentives and 'poverty traps'. Generous entitlement is necessary to ensure that low-income families benefit from these passported services and can really be better off in work.
20. 'Universal' entitlement can also work to reduce administration and red tape for claimants, the DWP and service providers. For example, if entitlement to a particular benefit is extended to all UC recipients, then there is no need to develop and administer complex eligibility criteria.
21. Beyond this, one of the key design considerations for passported benefits under the Universal Credit will be the issue of managing complexity under a real time payment system. Entitlements will need to reflect the incredible complexity of delivering this real time system; for example, if entitlement is calculated monthly it could conceivably alter on a monthly basis.
22. To deliver passported benefits along a smooth taper would require monthly changes to entitlement, and this is probably not realistic administratively.

³ Nelson, M., Erens, B., Bates, B., Church, S., and Boshier, T. 2007 *Low Income Diet and Nutrition Survey* Food Standards Agency, London.

⁴ Ibid.

⁵ Citizen's Advice 2007 *Adding Up: The range and Impact of School Costs on Families* Citizens Advice

23. However, while complex, the technology behind this presents an important opportunity for entitlement to passported benefits to be automatically applied. For example, with regards to Free School Meals, currently families who are eligible to receive Free School Meals need to apply to be entitled to receive meals, and there is quite a sizeable 'gap' between the numbers of children entitled to FSM, and the number of children eligible for FSM. The technology behind the UC should make 'automating' entitlement easier. This will assist in maximising family incomes.
24. Automatic entitlement could also work to reduce the stigma associated with applying for passported benefits. Where possible, delivery mechanisms should build on this technology to further reduce the stigma of receiving passported benefits. For example, when combined with automatic entitlement, the use of cashless systems in schools to deliver FSM could reduce a lot of the stigma surrounding applying for and receiving FSM.

Question 5: Potential advantages and disadvantages for claimants, delivery agents and advice services of changing eligibility to passported benefits.

25. The current system of entitlement to passported benefits is complex to understand, difficult to administer and poorly targeted. The introduction of the Universal Credit presents an opportunity to address some of these issues.
26. It presents the chance to address issues of poor targeting. For example, we know that Free School Meal entitlement is limited to children whose families' are in receipt of out of work benefits, however we know that 58% of children living below the poverty line (AHC) have at least one member of the household in work⁶, and research suggests that about 20% of children in poverty are not entitled free school meals.⁷ This poor targeting means that many children who need it miss out on a hot health meal – with knock on health and educational outcomes – and presents work disincentives for their parents.
27. It also presents the chance to address issues of the complexity of entitlement and administration. Currently, eligibility criteria for passported benefits are broadly similar, but slightly different. For example, Funeral Expense Payments in the Social Fund are limited to people in receipt of one of:
 1. Income Support
 2. Income-based Jobseeker's Allowance
 3. Income-related Employment and Support Allowance
 4. Housing benefit
 5. Council tax benefit
 6. Child Tax Credit paid at a rate which exceeds the family element
 7. Working tax credit which includes the disability or severe disability elements

⁶ *Households Below Average Income 2009/10* (DWP 2011)

⁷ *Assessing current and potential provision of free school meals: Economic research on free school meals entitlement and exchequer costs* (Report prepared for The School Food Trust by London Economics (2008))

8. Pension credit

Alternatively, for Free School Meals in England and Wales you must be in receipt of:

1. Income Support
2. Income-based Jobseeker's Allowance
3. Income-related Employment and Support Allowance
4. support under Part VI of the Immigration and Asylum Act 1999
5. the guarantee element of State Pension Credit, or
6. Child Tax Credit provided you are not entitled to Working Tax Credit and have an annual income (as assessed by HM Revenue & Customs) that does not exceed £16,190.

These variations creating a slightly confusing and complex system to deliver. It would be advantageous to claimants (and benefits advisors) if eligibility criteria was simplified and extended to all people in receipt of the UC as this could ultimately increase take up.

Question 7: How could passported benefits be simplified at no extra cost?

28. The introduction of a single benefit, with information stored on a single IT database, means that entitlement to passported benefits could be simpler to establish, and hopefully simpler to administer. While CPAG has concerns about the ability to create such a complex IT database – with interfaces for DWP, Revenue and Customs and PAYE information in real time – if such infrastructure can be developed, it could almost certainly be used to provide real time information about eligibility to passported benefits automatically.
29. An example of the benefits of this sort of 'one stop entitlement check' can be found in the Online Free School Meals project run by connect digitally. Having a one-stop electronic eligibility service, in this example, increased the number of children taking a free school meal from 20,000 to 27,000 and reduced response time from application to receipt of a meal from 3 months to 3 minutes. It was also appreciated by claimants, with feedback suggesting
 - "I was very impressed that the application was straightforward to complete. I know of people who have not claimed for other benefits as they find it too difficult to complete forms"
 - "The system ensured my son had free school meals without the worry ...difficulty of paper application and posting issues ...a fantastic experience considering the normal stress of form filling, stamping, posting and checking."

The Universal Credit introduces the possibility of significantly simplifying and automating entitlement to passported benefits. This would dramatically improve take up, and ensure that people who have are entitled to a benefit actually receive it.

30. We hear many cases of claimants who are entitled to passported benefits not receiving them because of difficulties negotiating complex administration. For example, one welfare rights officer we spoke to in Rensfrewshire spoke about her continual 'quest' to ensure that claimants received healthy start vouchers. She cited on particular example where a

claimant had been waiting 3 years, and 2 children later, for her vouchers. This claimant 'made her claim 3 years ago when she was pregnant with her first child (she met the qualifying conditions from this period and still now as lone parent on IS) and has not received a payment. When she called up (repeatedly) she was told claim was not awarded due to NINO not being included. She now has a 3 month old 2nd child and despite making a repeat claim she has not been awarded Healthy Start Vouchers'. Automatic entitlement would decrease the complexity of applications and simplify administration for claimants.

31. Automatic entitlement could mean that families receive passported benefits like Healthy Start vouchers and FSM in real time for the whole of their duration of their eligibility. It could also mean that entitlement to passported benefits were suspended appropriately and in a timely matter if family incomes increase, decreasing overpayments.
32. Automatic entitlement could also reduce hardship during appeals – the DWP could introduce a policy of not cancelling entitlement (by say notifying a local authority about the loss of entitlement to FSM for example) until the appeal has been determined and the decision upheld.
33. Automatic entitlement to Government Department determined passported benefits should also go hand in hand with automatic information provision about devolved or local authority delivered benefits. That is, as soon as entitlement is automatically determined, devolved or local authorities should be notified, and information about other available benefits (such as transport discounts or leisure service discounts) should be delivered to the claimants.
34. With regards to devolved administrations, in some cases it may be possible to simplify the experience for claimants if DWP staff process entitlements which have been set by Holyrood (for example); or if details of eligible claimants' details are automatically shared with bodies with devolved responsibilities at the point a UC claim is processed. Whether either of these ideas could function effectively will depend on the details of the UC IT system. The fundamental issue is not who will deliver an entitlement, but that the system under UC is simplified and works for claimants to maximise take up of entitlements.

Question 8: Implications of cash transfers.

35. Cash payments – instead of passported benefits in kind – have the advantage of being able to be tapered out smoothly and maximising family's ability to manage their own income. However, they also come with their own complications and need to be very carefully scrutinised before being recommended. Two of the key issues are setting the cash value accurately, and secondly, making sure that this cash value continuously reflects actual value.
36. Setting a cash price for many passported benefits in kind can also be difficult. This is discussed in detail in the Free School Meal paper – but is also relevant to items such as free prescriptions. The number of

prescriptions needed by families varies greatly, and hence the value of this benefit in cash terms varies too. For a family with three children suffering from chronic asthma, free prescriptions will be of a lot more value than for a family with one 'healthy' child. Establishing a 'cash element' to cover many passported benefits in kind that does not reflect family needs might make many families significantly worse off.

37. Secondly, cash payments made to cover specific items need to be up rated in a way that reflects the increasing cost of those items. For example, we know that while benefits are uprated in line with CPI, the rate of increase of food costs well exceeds CPI. Without careful attention being paid to uprating payments could become woefully inadequate over time. Previous experience highlights the need for great caution to be paid in establishing a 'price' for school meals for example. When the FIS became the Family Credit in 1988, a notional figure of £2.55 per week was included to compensate for Free School Meal loss (FIS had previously passported all families to free school meals). This amount has seldom been referred to since, and has never been uprated within the subsequent benefits that FC has become.

Question 9: Withdrawal and tapers.

38. The ability to taper benefits – while reducing benefit cliff edges and work disincentives – comes with its own problems.
39. Firstly, there is the question of when to taper passported benefits. Tapering access to passported benefits before family incomes exceed their income disregard has the effect of decreasing the effective disregard. Tapering benefits while families are also experiencing a 65 percent taper on earnings has the effect of producing a double taper, and increases already high marginal deduction rates. Tapering benefits after UC entitlement has expired is therefore ideal –and in effect passports recipients to all passported benefits. This highlights the need for a generous entitlement to be established in order to make the Universal Credit work.
40. Secondly, there is the issue of how to administer a taper. For benefits in kind this can be prohibitively complex, as the Free School Meal briefing paper highlights. For 'cash' benefits, it increases administration costs and bureaucracy. For many 'cash' passported benefits – such as uniform grants -- the values of these payments are already so low that this might make the administrative costs of delivery by local authorities exceed the costs of the actual payments.

CPAG's recommendations

41. The only way to make sure that passported benefits support the Universal Credit – 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' for families on low incomes.

42. We recognise that this is not a no-cost alternative, but there is no way to ensure that the principles of the Universal Credit are not eroded by passported benefits under the current spending envelope. There is a trade off to be made and given the knock-on benefits of many passported benefits – such as health and education outcomes – the balance of this trade off should fall on the side of extending entitlement.
43. The Universal Credit, and the technological infrastructure that will be needed to deliver it, presents an opportunity to provide accurate and stigma reducing automatic entitlement to passported benefits.
44. The particular value of Free School Meals for low-income families, and for children's well being, requires particular attention in deciding eligibility criteria and every effort to extend provision needs to be made.
45. If passported benefits are to become cash, particular attention needs to be paid to establishing their value accurately, and the need to up rate them in line with the increasing real costs what they are intended to cover. Unless this can be achieved, benefits should remain as in-kind supports.

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