The Hidden Benefits Bill

How Universal Credit claimants get £10 billion in extra benefits

ONWARD

Caroline Elsom

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We believe in an optimistic conservatism that is truly national – one that recognises the value of markets, supported by a streamlined state that is active not absent. We are unapologetic about standing up to vested interests, putting power closer to people, and supporting the hardworking and aspirational.

Thanks

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The eyewatering cost of Britain's benefits bill is often discussed, but a key part of the conversation is usually missing. The additional payments that claimants can receive because of their eligibility for their regular benefits, known as passported benefits, are rarely included in analyses of how and why spending on working-age welfare has become so out of control. This paper reveals the true scale of bonus benefits worth billions that are pushing against the intended incentives for claimants to move into work and towards full financial independence.

Universal Credit payments were always meant to consolidate passported benefits. But the protracted rollout of Universal Credit has left these schemes running in parallel, fragmented across Whitehall, growing in scope and cost beyond the main levers of the welfare system. With rollout finally due to complete this parliament, now is the time to consider how to return to the original policy intent.

Poverty metrics have underestimated the effective benefit income provided through passported benefits, distorting how support is targeted without allowing adequate evaluation of outcomes. Some are left missing out on thousands while others receive so much that they have little incentive to seek work or come off benefits altogether. Paternalism is destroying aspiration.

Over £10 billion is estimated to be spent on working-age claimants alone through passported and discretionary schemes run by Government and utilities companies. Despite the price tag, they are too often failing to deliver the better outcomes for all:

- *Free school meals expansion which is set to cause chaos for school funding.*
- *Taxis to school for families already getting Motability cars.*
- *Free holiday club places squeezing fee-paying parents.*
- *Bursary cash for teenagers that may be damaging their earnings potential.*
- *Free childcare for parents to stay at home, paid for by working parents.*
- *Prescription charge exemptions for 96% of all prescription costs.*
- *Dentistry, sight tests, health travel costs through archaic claims systems.*
- *Pregnancy grants likely failing to improve outcomes for mum or baby.*
- *Healthy food cards reportedly used for alcohol, tobacco and Playstations.*
- *Energy bill and cold weather rebates for already energy efficient homes.*
- *Heating and insulation upgrades worth almost £20,000 per household.*
- *Water bill caps and special rates raising already surging water bills.*

- *Special broadband tariffs giving claimants worse deals than switching.*
- *Mismatched legal aid and court fee reforms set to bring in new cliff edges.*
- *Funeral expense payment rules leaving grieving relatives without support.*
- *Savings top-up accounts driving claimants to accrue more debt.*
- *Council tax discounts double-taxing working claimants.*
- *Local schemes being used for mini-golf, spa facility use and cinema tickets.*
- *Discretionary housing funds working against national welfare policy.*

Radical rationalisation of schemes into Universal Credit is necessary to deliver the simpler, more consistent and more certain system originally intended. Claimants should face the same basic budgeting dynamics as others in return for greater control over their cashflow. Alongside this, better data can give a more complete picture of the sufficiency of different benefit components within a single payment.

Implementing a common framework for unforeseen or unavoidable costs would help simplify how those in crisis can access support. A more coherent set of rules and thresholds should govern routes for those on low incomes to receive one-off support for specific unexpected and unavoidable costs, including those beyond benefit eligibility.

Lowering the Universal Credit taper to 50% is the final step in resetting the balance in favour of working, working more hours and increasing earnings without facing arbitrary penalties. Together these measures can improve the system for claimants and taxpayers alike.

Introduction

An expansive menu of extra payments and freebies for those already receiving benefits is weakening work incentives at a staggering cost of £10 billion. Working age benefit claimants negotiating this sprawling system are met with incoherent rules fragmented across over a dozen different schemes. This paper is the first systematic review of the costs of all benefits passported through receipt of Universal Credit and their average value to those claiming them. Alongside discretionary local schemes, this paper reveals how they collectively total over £10 billion in additional working-age welfare on top of Universal Credit payments.

From its inception, the purpose of Universal Credit was to create a simplified benefits system where people were always better off starting work, taking on more hours, and progressing in their careers, rather than staying on benefits. It promised to consolidate payments into a simpler single award, smoothing out the cliff edges that saw support sharply withdrawn once you worked a certain number of hours or earned a certain amount. It was meant to save taxpayers' money too.

But, thirteen years on since the rollout of Universal Credit began, it has become anything but a single, universal payment. The benefits system for those of working age has ballooned in size, scope and cost. Reform that was meant to streamline multiple income-replacement legacy benefits has instead carried over and expanded multiple sub-schemes that are accessed by virtue of already being a claimant. These are collectively known as "passported benefits": benefits for which eligibility is conferred via another benefit for which eligibility requirements have already been met.

A two-tier benefits system has been created: one in which savvy claimants can gain thousands of extra pounds a year, but those with the least awareness or capacity still miss out on support. Jagged cliff edges have been carved, whereby being on benefits grants access to a wide array of top-ups, but reaching certain earnings levels risks suddenly losing these too. For everything from children's meals to energy bills, there is an associated concession largely or exclusively for benefit claimants, almost half of whom are not required to look for work at all. In turn, passported benefits have created a deeply unfair two-tier state, where many of those just beyond benefit eligibility are fundamentally worse off than many claimants.

To avoid political fights, successive governments have ended up double-handling certain living costs through passported work-arounds. Policy failures have been mitigated with more bureaucracy, rather than addressing the drivers of the high prices that affect everyone. Worse still, pervasive passporting has made it more rational to remain a client of the state rather than struggle through the jobs market, risking losing bonus entitlements once in work. Paternalism has triumphed over aspiration, undermining the core purpose of working-age welfare reform.

This paper exposes the value of these schemes to claimants, the cost to taxpayers and consumers, and the cumulative effect on incentives for claimants to work at all and to progress in work. It proposes a radical reshaping of this area of state support, creating a welfare system with greater certainty, consistency and simplicity for claimants, and better value for the taxpayer.

Background

In the Welfare Reform Act 2012, Universal Credit (UC) set out to streamline a series of income-related legacy benefits into a single, integrated award to meet all essential living costs. This single payment was meant to slowly taper away benefit income while people transitioned into work, avoiding the previous cliff edges at 16 and 30 hours of work that would trigger sudden losses of income. As part of this simpler, fairer system, UC's creators posited that it would be possible to do away with a plethora of schemes that had previously sat alongside legacy benefits. The foundational *Welfare that Works* policy document on UC stated the following:

> *"The current benefit dependent thresholds for access to a range of passported benefits (for example, free school meals and health benefits) will no longer exist. We will replace the current rules with an income or earnings-related system that gradually withdraws entitlements to prevent all passported benefits being withdrawn at the same time."*[1]

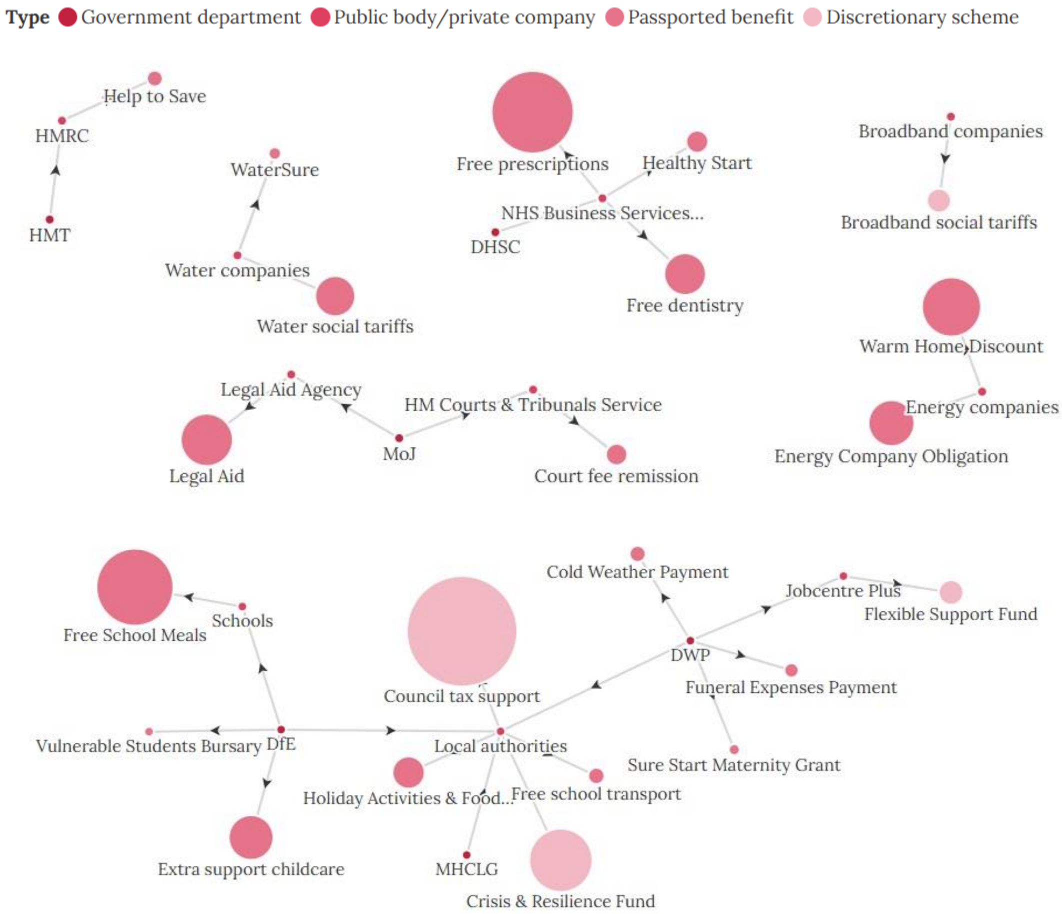
It was originally estimated that it would take from 2013 to 2017 to move all existing legacy benefit claimants onto the new system. However, today in 2026, managed migration of claimants is still not complete. The latest estimates suggest that migrating some of the most complex claims will take until 2029.[2] Alongside this protracted rollout period, many of the passported schemes available to legacy claimants continued to be passported on the same basis to UC claimants too to avoid disincentives to migrate and legal challenge, even if it would be technically possible to roll these into UC payments.

During the Covid-19 pandemic and the global energy price spike, surging inflation gave rise to renewed focus on the cost of living and the ability of those on low incomes to afford the basics. In addition to a temporary £20 uplift in UC payments, this period saw the rapid creation, expansion or uprating of multiple passported benefits schemes that, unlike the uplift, have not all been scaled back since. Rather than phasing out passporting, schemes like free school meals and the Warm Home Discount are expanding to all UC claimants in the coming year, but still remaining separate from UC itself.

Despite the Secretary of State for Work and Pensions having formal responsibility for the benefits system, control over passported benefits has become diffuse across government. Now, almost every domestic policy department administers or regulates at least one passported benefit or discretionary scheme, as shown in Figure 1. Each scheme has its own rules, caps and thresholds that layer on top of UC-enabled eligibility, many of which are not adjusted for years at a time to reflect real-world prices. Having billions of additional welfare beyond the Department for Work and Pensions' (DWP) borders makes the already alarming trajectory of the benefits bill all the more acute, with serious but underrated consequences for efforts to decrease the budget deficit.

Figure 1 - Scheme by relative size of expenditure on working-age claimants

Source: Onward analysis



Eligibility checks

Checking eligibility for passported benefits relies on multiple parts of the state being able to confirm existing benefit receipt. Unlike PAYE data which is shared on a real-time basis between HMRC and DWP, the onward sharing of benefit receipt data has no seamless flow to the other departments or companies involved in passported schemes. Instead, for most passported benefits, manual bulk data extracts are shared on a daily or weekly basis for operational eligibility checks. This is onerous and expensive to administer.

According to the DWP's own careers website, there are over 300 data professionals working in its Data Practice, responsible for how they model, transform and securely use data across DWP and wider government.[3] There will then be further costs from those in other government departments, public bodies and private companies responsible for processing the data, overlaying additional criteria and delivering the benefits.

Given that eligibility for passported benefits is conferred from other benefits claimed, it is easy to assume that take-up would be high across the board. In reality, it is highly uneven. There are a range of different ways in which passported benefits are accessed. Some require the claimant to provide evidence of an existing benefit claim, while others require the institution handing out the benefit to check on the claimants' behalf.

For example, free prescriptions operate on a self-declaration system. Others like free school transport require parents to fill in an application form which is then verified by the local authority using central government data and local information on the distance to the school. The level of friction in the system caused by the need to apply for some passported benefits means that there are widely varying levels of uptake.

Uncounted income

Assessing the appropriate level of financial support for people with different personal means is a difficult task. For those without earned income, this is particularly challenging. The UK's official poverty measures - absolute and relative poverty - use the Households Below Average Income (HBAI) dataset, which relies on self-reporting of income in the annual Family Resources Survey (FRS), which is then combined with administrative data on DWP benefits, HMRC data and price indices. Both official poverty measures are relative measures, setting an arbitrary line at 60% of median household income, with one rebasing this every year and the other looking at how incomes have changed since 2009/10.

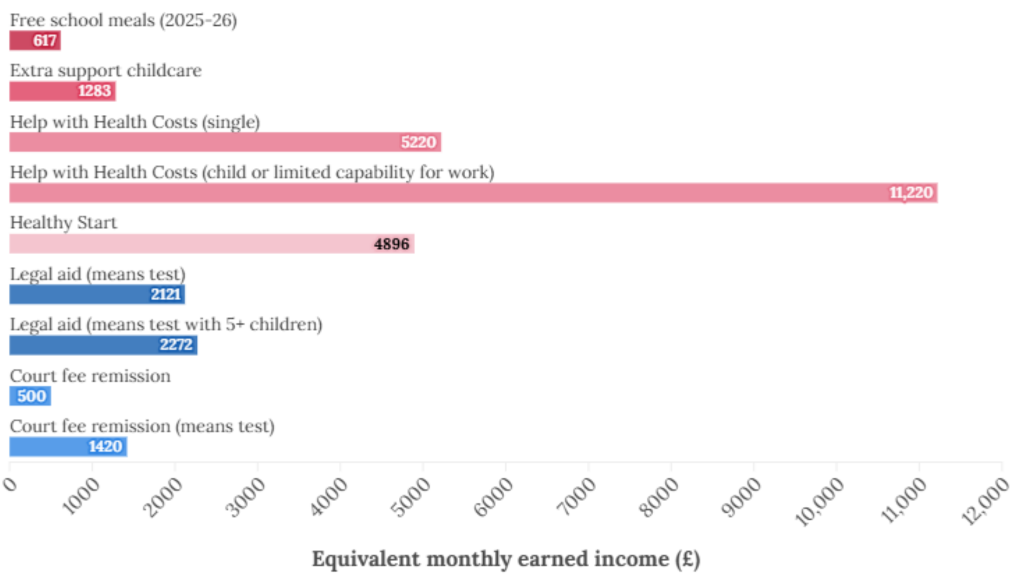
Neither poverty measure looks at what these households are able to afford in any given year, nor accounts for what they may be provided in-kind, free or at a subsidised rate by virtue of being a benefit recipient. Outside of Covid-related cost of living payments, only free school meals, Healthy Start and the Warm Home Discount are routinely counted.[4] For most other passported benefits, the HBAI dataset excludes their value in poverty measures, despite them having a direct impact on the daily living costs of many considered below the respective poverty lines.

The material deprivation metric, which includes answers from the FRS on the resources and activities that families can afford, does not attach any monetary value to these items. An additional measure of poverty developed by the Social Metrics Commission is currently under consideration by the Government, which would assess whether households have Below Average Resources rather than income, but does not plan to incorporate passported benefits due to lack of reliable data.[5]

Difficulty in assessing claimants' income bleeds through into the design of passported benefits. Schemes use a jumbled assortment of different thresholds, including disposable income, earned income, effective income after certain savings could be liquidated and income with certain specific disregards. Several passported benefit schemes use their own income-related thresholds which typically do not count benefit income, therefore directly penalising those trying to earn enough to come off benefits.

Figure 2 below shows different equivalent monthly earnings thresholds for select schemes to show relative generosity. Some schemes count claimants' income over the whole year, while some take each individual monthly assessment period, meaning eligibility can fluctuate from month to month along with earnings.

Figure 2 - Equivalent monthly earned income threshold by UC passport or means test
Source: Onward analysis



Other schemes also use levels of savings thresholds in their eligibility requirement which differ from the standard capital limits in UC. And with schemes for which eligibility applies throughout a UC claim, there is still a cliff-edge at the end where those with a very small UC award go from receiving thousands extra in passported benefits to nothing if they see a minor increase in earned income. While some schemes also have income tests for those not on any benefits to gain eligibility, there is again no consistency in how their income is treated.

Evaluation gaps

The inaccurate reporting of total effective income has critical policy implications. As passported benefits have changed in scope or generosity, there has been no year-on-year total measurable impact on poverty alleviation, despite the extra cash that is given out. Even for individual schemes that are counted, such as free school meals, bold statements about lifting 100,000 children out of poverty by 2030 are taken from a static microsimulation model making a snapshot estimate, which includes assuming 100% take-up, with no adjustment for those already receiving free school meals under transitional protections.[6]

Both internally within government and externally for research purposes, the lack of continuous data to evaluate whether any passported benefits have met their modelled poverty reduction goals is highly problematic. While specific policy simulation models for individual schemes are possible, there is no real time information to monitor the direct upsides or unintended consequences of these policies in aggregate. There is both little cross-government tracking of those who may be missing out on multiple passported benefits, nor evaluation of how claiming many can distort work incentives.

Figure 3 - Estimates of select unclaimed passported benefits in Great Britain 2025/26

Source: Policy in Practice[7]

	Missed claims	Average unclaimed	Total missed (millions)
Council tax support	2,571,000	£1,286	£3,306
Broadband social tariffs	7,537,000	£200	£1,508
Water social tariffs/WaterSure	3,847,000	£194	£745
Warm Homes Discount	4,812,000	£150	£722
Free School Meals	123,000	£561	£69
Healthy Start/Best Start Foods	201,000	£273	£55

Recent analysis by Policy in Practice estimates that over 7.5 million people are missing out on at least one type of passported benefit for which they are eligible.[8] This is attributed to several factors, principally awareness, complexity, and stigma associated with claiming. This leaves some without thousands of pounds which someone else in near identical circumstances may be receiving.

For example, in 2025/26 the value of support missed out on was estimated as more than £3.3 billion in council tax support, £1.5 billion in broadband social tariffs, £745 million in water support and £722 million in the Warm Home Discount.[9]

Likewise, recent UK-specific evidence is scant on the relative merits of providing benefits in-kind versus ringfencing cash or labelling cash for a specific purpose. While there has been some analysis of the impact of labelling fully fungible benefits like the Winter Fuel Payment and the Education Maintenance Allowance for their specific purposes, their behavioural impact is mixed, with difficulty tracking by how much the cash had helped manage the intended cost versus improving the claimants overall outcomes.[10]

The counterfactual scenario of rolling such benefits into core benefit income is rarely considered for schemes providing non-cash benefits. Behavioural analysis of the upsides of passporting usually focus on whether the cash has been used for its labelled purpose rather than considering whether that was really the best use within that household's total budget. In essence, it starts from a deeply paternalistic notion that bureaucrats running a government scheme know better than a claimant how they should spend money to support themselves.

The cost of policy crisis

Lack of robust continuous evaluation of individual passported benefit schemes, let alone any tracking of their cumulative impact on effective household income, has meant siloed schemes have proliferated. The pathology of "everythingism", as recently set out by *Re:State*'s Joe Hill, has gripped each government department in this regard too.[11] Wildly different and poorly-defined markers of poverty, inequality and perceived vulnerability have become baked into the design of domestic policy, detracting from the cost-saving potential of simply allowing each area to do one thing well.

In the last few decades, the narrative on poverty itself has snowballed into multiple types of poverty: food poverty, fuel poverty, water poverty, digital poverty, clothing poverty, carpet poverty, mattress poverty and more. Each has their own stakeholder ecosystem lobbying different parts of government for specific carve-outs, despite the central issue for all of them being a household's total ability to afford essentials through their income.

Many stakeholders directly benefit from the schemes they have lobbied for, getting government contracts to assist in the delivery of the over-complicated schemes they helped design or receiving research funding to confirm their biases. Their intentions may be well-meaning, often irresistible to ministers seeking a positive news story, but there is a cost.

As inflation began to spike in late 2021, discussion of the affordability of daily essentials evolved into discussion of a "cost of living crisis." Volatile global circumstances certainly contributed considerably to surging prices for some essentials. But as the peak has receded, the Government has continued to wrestle with stubbornly high expenditure on public services. This has exposed an altogether more uncomfortable truth - that the "cost of living crisis" is, at least in part, a cost of policy crisis.

Much of the response to rising prices has focused on bolstering demand side protections by uprating passported benefits rather than supply side measures to address the underlying drivers. For each bespoke scheme to cover the price of goods and services that the rest of the population purchase with their own income, the cost is borne elsewhere. This is not just by the taxpayer picking up the cost of each scheme, but also through the wider distortive impact on market prices when a significant cohort receives a subsidy.

If the companies are forced to offer products at a loss or lower profit margin for claimants, they will recoup the revenue from other consumers. For some passported benefits schemes, like those run by utilities companies that are not financially subsidised by the government, the cost is directly passed onto consumers in the form of higher bills. Yet supply side policies like deregulation, enabling competition or corporation tax cuts that could lower consumer costs for everyone, including those just beyond benefit eligibility, are not considered as the primary levers for lowering the cost of living.

In a clamour to appear caring, the welfare state has splintered. Each domestic policy department now effectively runs its own poverty programme, with its own inaccurate understanding of what poverty is and using its own bespoke delivery apparatus. There is no common accounting for the total support any household receives, no consistent evaluation of outcomes, and no ministerial line of sight over the cumulative fiscal and market impact. This is an irrational way to spend public money: it duplicates administration, entrenches arbitrary eligibility cliffs, and pushes costs onto non-recipients via cross-subsidy, price effects and higher charges. The net effect harms modest-income working households who receive little or nothing, while obscuring the true level of state support and who ultimately pays for it.

Work incentives

Unlike other benefits, passported benefit awards are usually binary rather than proportional to the amount of UC award or to need. While elements included within a UC claim are tapered away with earnings, most passported benefits have a fixed value: you either get it or you don't. The impact of passported benefits on work incentives was noted from the inception of UC, yet little assessment of their impact has taken place since.

In 2012, the Social Security Advisory Committee independent review of passported benefits highlighted how they "can create an unhelpful cliff edge and reduce the apparent gains to work."[12] In accepting the findings of the review, the Coalition Government noted that "the design of passported benefits under UC can have a key impact on incentives to work", signalling their intention to roll the current suite of passported benefits into UC payments. However, there has been no comprehensive evaluation of the cumulative impact of passported benefits through the entire rollout of UC to date.

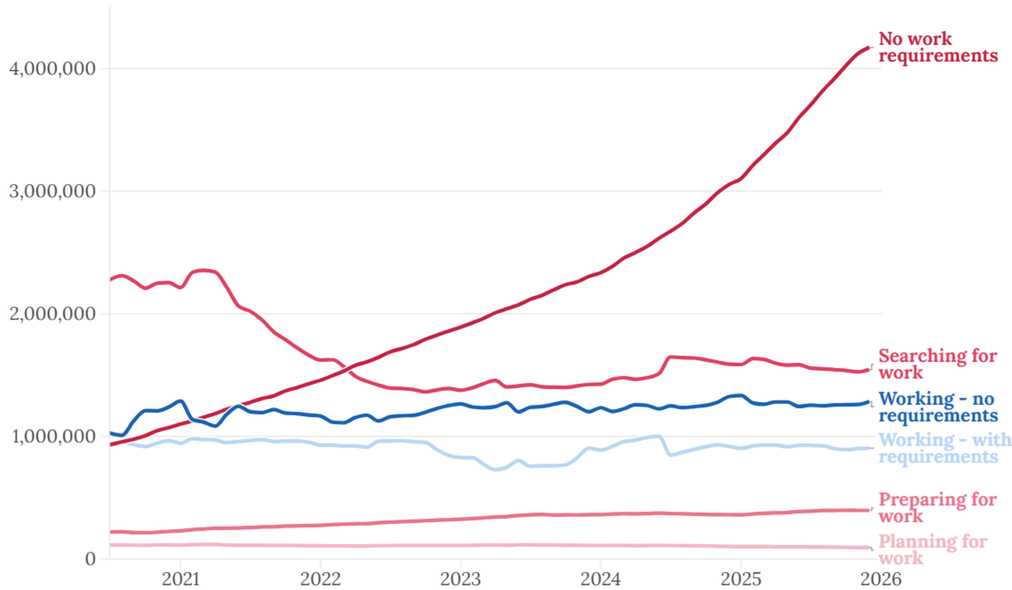
Conditionality

Passported benefits increase incentives on claimants to be classified into different UC conditionality regimes because not working means no risk of losing entitlements at various income thresholds or at the end of the claim. Conditionality regimes determine the different expectations upon claimants to look for work, undertake training, work more hours or not have to undertake any work-seeking activity at all.

Since mid-2020, the number of people with no requirements to work or take any steps towards finding a job has ballooned from below a million to 3.7 million.[13] In part, this is a feature of leaving the most complex legacy cases, usually involving disability, as the last cohort to migrate, but it is also caused by the surge in new health-related claims since the Covid-19 pandemic. As a consequence of this change in case mix, for the vast majority of UC claimants, receipt of passported benefits is effectively unconditional and often permanent, with no expectation that they will work or look for work while they continue to receive free or discounted goods and services paid for by those working.

Figure 4 - UC claimants by conditionality regimes

Source: DWP Stat-Xplore[14]

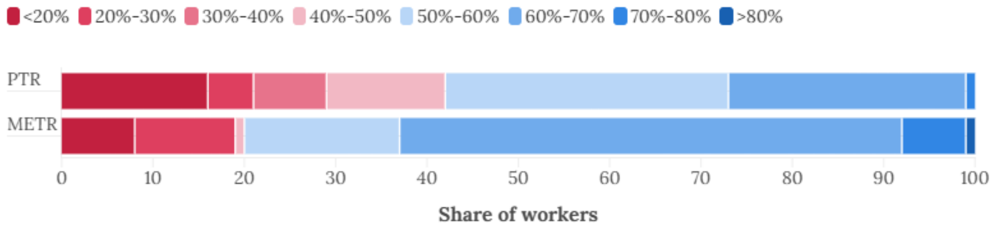


Modelling incentives

Financial incentives to start work and then progress in work can be measured by looking at the participation tax rate and the marginal effective tax rate respectively. The participation tax rate (PTR) measures the proportion of earnings deducted through higher tax and lower benefit entitlement at the point of moving into work. The marginal effective tax rate (METR), sometimes known as the marginal deduction rate, is the percentage of each additional £1 in earnings that is lost to tax or benefits reduction. Taking Institute for Fiscal Studies analysis from 2024, just under 60% of working UC claimants have a participation tax rate of 50% or more.[15] This means that if they earned £10,000 before tax per year in work, they would see their income rise by £5,000 or more if they started working.

Figure 5 - Participation rates and marginal effective tax rates, among workers eligible for UC or legacy benefits

Source: Institute for Fiscal Studies[16]



Likewise for those seeking to progress in work while on UC, 80% lose more than 50p for every extra pound they earn.[17] 63% of those working on UC lose more than 60p for every extra pound. It demonstrates how the majority of those working on UC have well above 55% of their income deducted through the taper and tax.[18] This is a product of the damaging interaction between the UC system and the tax system that directly works against incentives on claimants to take on more hours or seek higher pay. Neither of these rates typically include the loss of passported benefits as claimants take on more hours.

Modelling the interaction between the tax system, which treats people as individuals, and the benefits system, which looks at the whole household, is complicated enough on its own. But adding more than a dozen passported benefit schemes, each affecting different household compositions, becomes almost impossible. There is no comprehensive policy modelling of participation rates or marginal effective tax rates that include the additional effective income provided through passported benefits. In the absence of this modelling, the paper takes the first step: understanding the eligibility routes, quantifying the costs and assessing the interaction with work.

Scheme-by-scheme analysis

This section gathers the best available published data to quantify how many claims are being made for each passported scheme, the average value of the benefit and total expenditure on those passported via UC or legacy working age benefits that are being replaced by UC. It includes both the costs to taxpayers of government-funded schemes and those that government regulation requires companies to fund, for which they will pass on the costs to other consumers.[19]

It also lists discretionary schemes that are available largely or exclusively to claimants that can further top up their income, with best estimates of the proportion of the scheme used by UC or legacy working-age claimants. In addition, we estimate the cost of these policy decisions in terms of the funding that has to be provided to UK nations beyond England as a result of the UK Government's policy, by using Barnett formula proportion adjustments, the method for which is explained further below.

This section then goes through each passported benefit to discuss each passported benefit. If scheme explanations appear overly-technical, arbitrary in nature and difficult to process, that is precisely the point - their rules are often incomprehensible to claimants and impossible for the Government to manage effectively.

The scheme-by-scheme analysis that follows will seek to answer the following questions:

- *What are the eligibility criteria?*
- *How many claimants on UC or legacy working-age benefits are eligible?*
- *How much does each claimant receive on average?*
- *Is there an alternative non-passported route to access the scheme or service?*
- *What is the total spending on those eligible via UC or legacy working-age benefits only?*
- *What evaluation has taken place?*
- *What impact might the scheme have on incentives to work?*
- *What changes are announced or expected in the current calendar year?*

Figure 6 - Claim count, average awards, total expenditure and Barnett adjustment by scheme
Source: Onward analysis[20]

	Claim count	Average award	Total expenditure (million)	Barnett adjustment (million)
Free School Meals	2,680,000	£495	£1,132	£1,332
Free school transport	36,400	£1,495	£52	£62
Holiday Activities & Food Prog.	628,000	£300	£214	£252
Vulnerable Students Bursary	23,685	£720	£17	£20
Extra support childcare	92,580	£5,988	£544	£640
Free prescriptions	7,928,507	£140	£1,168	£1,375
Free dental treatment	3,729,426	£81	£302	£355
Sure Start Maternity Grant	47,200	£500	£24	£26
Healthy Start	354,720	£269	£86	£94
Warm Home Discount*	4,448,809	£150	£636	£712
Energy Company Obligation*	18,548	£19,748	£366	£379
Cold Weather Payments	1,194,000	£25	£21	£23
WaterSure*	86,846	£325	£28	£31
Water social tariffs*	1,393,560	£244	£266	£298
Broadband social tariffs*	506,000	£200	£101	£101
Legal aid	144,896	£3,257	£472	£528
Court fee remission	122,517	£661	£81	£91
Funeral Expenses Payment	19,155	£1,545	£40	£45
Council tax support	2,288,079	£1,200	£2,746	£3,232
Help to Save	202,200	£223	£45	£45
Flexible Support Fund**			£117	£128
Crisis & Resilience Fund**			£529	£623
TOTAL			£8,297	£10,392

Limitations

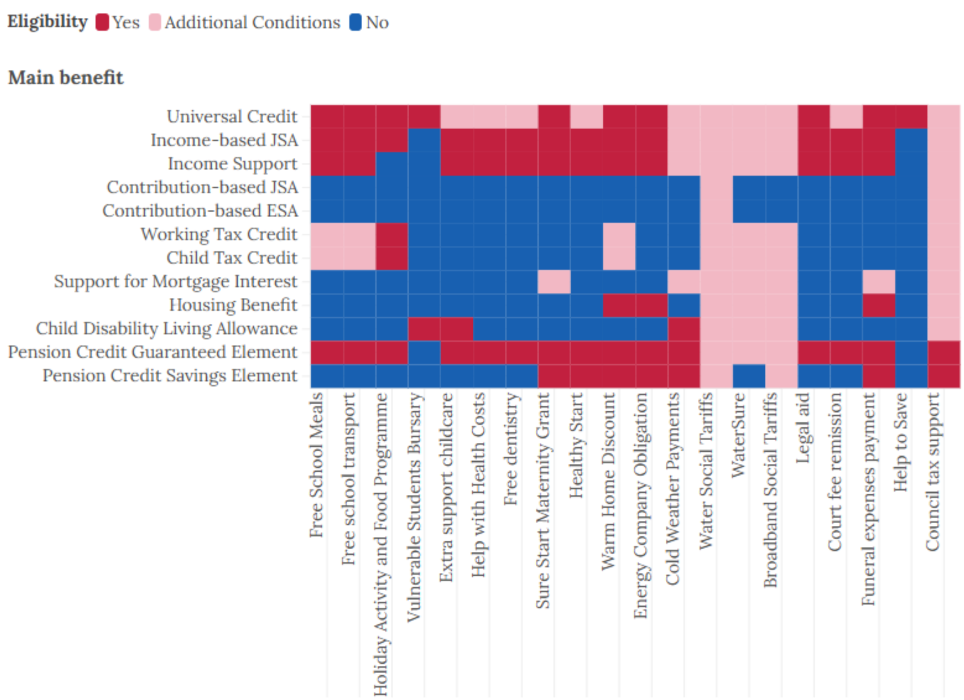
Legacy benefits

While the rollout of UC continues, different legacy working age benefits remain listed as eligibility criteria for most passported schemes, with no consistency as to which apply. Most list income-based Jobseekers Allowance (JSA), income-based Employment and Support Allowance (ESA) and Income Support, but exclude contributory JSA and ESA which are remaining outside UC as they are not classed as income-related benefits.[21]

Figure 7 below shows schemes which passport via different benefits in England from 2026/27, including changes to eligibility for Free School Meals and the Warm Homes Discount which will passport to all those on UC within this year. Some provide a passport but with specific additional conditions, such as an income or savings cap. For some, like water or broadband social tariffs and council tax reductions, eligibility is heavily caveated as these are not nationally consistent schemes.

Figure 7 - Eligibility by passporting benefit in England from 2026/27

Source: Onward analysis



With a reasonable prospect that UC rollout will complete during the current parliament and with legacy benefit caseloads diminishing throughout, this paper discusses passported benefit eligibility via UC while acknowledging that there will still be small numbers eligible via legacy benefits.[22] Indeed, the end of legacy-related eligibility over the next few years provides the opportunity to radically change how passporting operates, free of the need to retrofit innovation onto legacy systems.

Pensioner benefits

In addition to legacy benefits, many passported benefit eligibility criteria include those on pensioner benefits, as shown in Figure 7. Pension Credit is the means-tested benefit for those on low incomes above state pension age, with two different elements depending on the level of household savings. Pension Credit Guaranteed Element is usually used as the UC-equivalent passport, but some include Pension Credit Saving Element too.

Only some schemes provide specific breakdowns of the numbers claiming by eligibility route or by age to determine how many of those claiming are of working age. Where reasonably possible, those claiming via pensioner benefits are removed from analysis of number of claimant caseload and cost, or else are estimated to be negligible due to the expected age of the claimant.

Disability benefits

Recent political attention on welfare and work incentives has been dominated by focus on the significant increases of those claiming disability and health-related benefits, both through UC and Personal Independence Payments (PIP). 39% of people on UC are now in receipt of the UC health element, up 41% in just a year.[23] While over two thirds of this was migration of legacy ESA claimants which are one of the last cohorts to receive migration notices, new claims are rising year-on-year too.[24]

While most UC elements were frozen in cash terms from 2016 to 2020, PIP was uprated in line with CPI inflation, making it relatively more attractive to claim alongside UC. To qualify for the enhanced rates, a prospective claimant must be assessed, scoring sufficient difficulty with carrying out activities usually associated with work, such as being able to get out of bed, washed and dressed independently, being able to travel to a workplace or ease of communication with colleagues or customers. While assessments for PIP and the UC health element will remain separate until at least 2029/30, there is still a commonality between scoring sufficient points to gain a high PIP award and proving limited capability for work.[25]

This link extends to eligibility for passported benefits too. If a claimant does not want to risk losing access to passported benefits by earning too much from work, having no work requirements through being assessed as having limited capability for work and gaining more income through PIP instead can grant near-permanent entitlement. Reassessments remain mired in a Covid-related backlog, with 110,000 existing claimants awaiting Work Capability Assessments.[26] The Government's proposed "Right to Try" guarantee may prevent work in itself being considered a change of circumstances triggering a reassessment, earned income may still result in ineligibility for some passported benefits.[27] Changes to Work Capability and PIP assessments are sorely needed to bring more claimants into work-seeking conditionality regimes, but beyond the direct scope of this paper.

Where health conditions provide a specific eligibility for a passported benefit scheme, these are noted in the scheme-by-scheme analysis. Passporting is also provided directly from some disability benefit claims. The enhanced rate mobility component of PIP grants access to significantly subsidised new vehicles through Motability.[28] This prompted several tax changes exclusive to Motability at the Autumn Budget and proposals from the Conservatives to tighten eligibility.[29] As Motability is not passported through UC and has already received significant separate scrutiny, it is not considered in detail in this paper.

Devolved nations

UC is a UK-wide benefit, but passported benefits have different territorial extents. This analysis of passported benefits primarily focuses on those available in England or England and Wales where relevant depending on devolved powers in different policy areas. Where relevant, alternative schemes operating beyond England are mentioned but excluded from direct costing analysis.

The Welsh Assembly has no devolved competence over UC, but does have devolved power over passported benefits like free school meals, free prescriptions, council tax reduction and other discretionary assistance delivered outside the remit of the DWP. The Scottish Parliament has additional powers under the Scotland Act 2016 under which it has chosen to change aspects of UC payment delivery. It has also chosen to provide additional benefits such as the Scottish Child Payment to those with children in receipt of UC or Pension Credit, but this is delivered separately from the UC system.

To get an estimate of total policy costs as a result of UK Government policy decisions, Barnett formula percentages are used to estimate funding. These are not the exact amounts that Wales, Scotland and Northern Ireland receive, as these are calculated at the point of changes in policies covered by departmental expenditure limits (DEL) rather than the totals in any given year, with population adjustments revised over time. Demand-led policies funded through annual managed expenditure (AME) only have Barnett applied at the point they are initially transferred into the block grant. Costs to private companies through regulated schemes are also calculated using the same percentages where relevant to reflect population size-based estimates, although these are funded directly by companies rather than Government. Barnett-based estimates of total expenditure are intended to make a general approximation of the scale of cost that UK Government policy decisions incur, rather than assess individual spending on any passporting policies implemented beyond England.

Education

Free School Meals

Provision of free school meals on a nationally-consistent basis was first introduced in the 1960s, having previously been provided at the discretion of the local authority. This set an income cap linked to family size for the first time, which was just above half of gross average earnings for a two child family.[30] Thatcher's 1980 Education Act reforms then introduced the first formal "passporting" for free school meals: eligibility became automatic for families receiving Supplementary Benefit (typically for those out of work) or Family Income Supplement (for those in low-paid work). Free school milk, which she had previously limited to children under seven, was also passported on the same basis for those aged five to seven, plus those with certain medical needs.

Since then, the passporting of free school meals via low income or out of work benefits has remained. Free school meals for infants in reception, Year 1 and Year 2 were removed from the passported system in 2013 to be provided on a universal basis in all state-funded schools. For those in Year 3 and above, an income cap of £7,400 net earned income for households on UC which was introduced in 2018 and has remained frozen until the next coming academic year.[31] Each meal is funded with £2.61, or £495 per year across term time.[32]

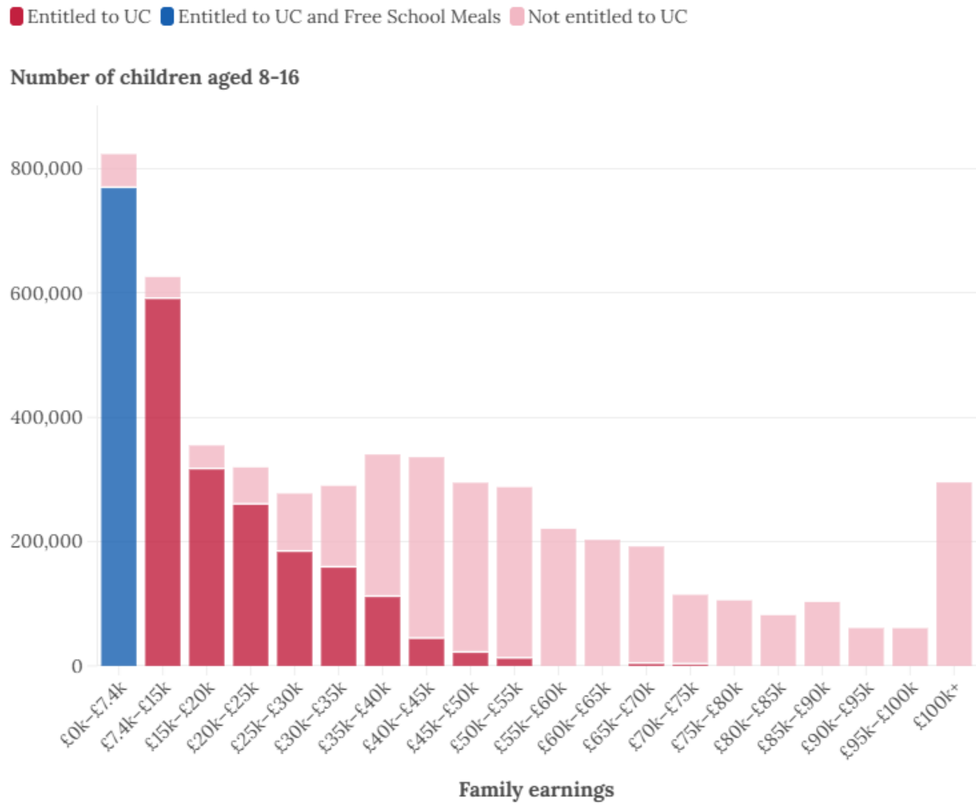
Transitional protection has been in place while UC was being rolled out whereby a child who became eligible for free school meals would remain eligible for the duration of that phase of education (i.e. the whole of primary or secondary school) even if they came off UC. Even families who only experienced a temporary drop in their income while their child was in Year 7 and claimed UC could therefore be entitled to five years of support, or almost £2,500 of effective subsidy. For a single parent with two school-aged children, this means that earning £7,399 and keeping free school meals would be financially preferable to earning up to £9,400 or working an extra four hours at National Living Wage per week if they are due to change phase of education.[33]

In April 2022, eligibility for free school meals was also extended to children in all households with a visa condition of "No Recourse to Public Funds" (NRPF), subject to comparative income caps with families with recourse to public funds.[34] There is currently no data on how many families have an NRPF condition and therefore no way of quantifying the size of this cohort. Likewise, it is also possible to be eligible for free school meals with parents above state pension age through receipt of Pension Credit Guaranteed Element, but there is no breakdown of how many children are passported via this route. Taking into account those small numbers eligible via these other routes, there are 1.6 million children in total currently claiming free school meals from Year 3 onwards.

From the next academic year, the income cap for qualifying UC claimants will be lifted, meaning that all families on UC will get free school meals, regardless of their earnings.[35] The Institute for Fiscal Studies suggests that 1.7 million, or 69% of children whose families are on UC who are above the income threshold, will become eligible, as shown in Figure 8.[36] The Department for Education estimates that more than 500,000 children would be brought into the scheme from next year.[37] However, due to transitional protection, some of those children will already be in receipt of free school meals despite their families not being in receipt of UC (and potentially earning much higher than the current income cap) so it will likely initially benefit far fewer families than expected.[38]

Figure 8 - Free school meals eligibility in 2023/24 by number of children and net family earnings

Source: Institute for Fiscal Studies[39]



Transitional protection is also being ended from the next academic year so eligibility for free school meals will be assessed on the basis of current UC receipt only, although guidance has not yet been issued as to whether this will be checked on an annual basis or each assessment period. The Department for Education does not publish data on the number of children currently receiving free school meals through transitional protection in England. However, the proportion in Wales who were transitionally protected last year was 27%.[40] Over time, this will become a hugely significant change, not just for eligible families, but also for local authorities allocating funding to the schools they are attending.

In some local authority areas, eligibility for free school meals already extends beyond those covered by existing UC and income threshold rules. In London, the Mayor has extended free school meals to all primary school children, at a cost of £141 million in the current academic year.[41] While the unit cost per meal is modelled at a higher rate than the national scheme, as around 13% of parents do not take up the scheme, the effective subsidy per pupil evens out to around the same level. Receipt of universal primary school free school meals in London does not affect eligibility for any national passported benefits usually available via this route, which are instead assessed on the national free school meals criteria.

In Wales, free school meals are available on a universal basis to those in primary school, with secondary pupils eligible on the same terms as in England.[42] They also pay schools more per meal, at a rate of £3.40 rather than £2.61 in England.[43] The Welsh Assembly will receive Barnett consequentials for England's extension of free school meals eligibility to all those on UC, but have not yet confirmed whether they will replicate the lifting of the earned income cap for secondary school pupils.

School funding

The radical change in passported benefit eligibility has far reaching implications for schools as a whole because so many aspects of their funding are calculated based on pupil eligibility for free school meals. School funding is not included in the costings for this analysis, but discussed due to the scale of the expenditure that now needs to be increased to match free school meals eligibility or calculated another way.

Pupil Premium funding, which provides an extra £1,480 or £1,050 per primary or secondary school pupil respectively currently on free school meals or any pupil who has received free school meals within the last six years in that phase of education (known as Ever 6 FSM or FSM6). At present, the six year rule means that Pupil Premium funding acts much in the same way as transitional protection, providing the school with the extra funding regardless of whether that pupil's family has only been very briefly eligible for free school meals.

The effect of changes to free school meals eligibility on Pupil Premium funding is estimated to equate to a loss of £1.5 billion to schools.[44] However, the Department of Education has indicated it will maintain Pupil Premium levels and other related school funding next year (and possibly longer) while they consider changes to funding allocations.[45] Unless increased in line with inflation which has not happened in recent years, these rates will erode in real terms while the new formula is developed.

Schools must use the additional funding that they get via the Pupil Premium to "accelerate disadvantaged pupils' progress, in order to raise their attainment."[46] So while not directly tied to individual pupils in receipt of free school meals, there is a reasonable expectation that this funding should follow the pupils through which the funding was made available. Survey evidence from the Sutton Trust found that around a third of senior leaders and classroom teachers said they were using at least some Pupil Premium funding to plug gaps elsewhere in their school's budgets.[47] However, there is no evidence to quantify by how much other pupils were being cross-subsidised.

The wider National Funding Formula also uses free school meals numbers as a key deprivation indicator, alongside a neighbourhood level income deprivation score. Children who receive free school meals currently attract £495 and an additional £1,060 or £1,555 at primary or secondary level respectively for FSM6.[48] Alongside the income deprivation score and with subsequent area cost adjustment, these three rates account for around 10% of schools funding and are the largest single additional needs factor determining how local authorities get to allocate to their schools. From 2027-28, National Funding Formula allocations will go direct to schools rather than going via local authorities, who have tended to weigh more heavily for current free school meals eligibility and less heavily for FSM6 in their final allocations. Again, it has been confirmed that the free school meals eligibility change will not affect the formula from next year, but no timeline or detail has been given on what will replace it as a proxy for deprivation.

Further still, free school meal rates are used to target other programmes through Priority Education Investment Areas and Opportunity Funding. Areas in these schemes are chosen on the basis of pupil outcomes and the proportion of pupils eligible for free school meals. Schools in these local authority areas can benefit from teacher retention payments of up to £3,000 per year, funded National Professional Qualifications (NPQs) ranging from around £900 to £4,000 and funded mentor placements to improve attendance costing around £1,500 per pupil.[49] This means that in some areas, the benefit to pupils in receipt of free school meals (and their classmates) can be even greater via payments to teachers or effective subsidy to pupils via mentoring. The end of the funding system associated with free school meals eligibility hence has funding implications that far outweigh the simple cost of each lunch. It may take years before a new un-passported funding settlement emerges, leaving funding out of step with policy.

Free school transport

Children eligible for free school meals are passported an extended right to free home-to-school transport. All children are eligible for free school transport if a child's nearest suitable school is over two miles away for five to seven year olds or three miles away between eight and 16.[50] For those in receipt of free school meals, the bar is two miles (rather than three) for those aged eight to 11. For those aged 11 to 16, free school transport for those eligible for free school meals is available if the school is two to six miles away if it is one of their nearest three suitable schools or two to 15 miles away if it is a school chosen due to a religion or belief.

Free school transport is also provided to children with special educational needs, disabilities or mobility problems that mean they are unable to walk to school, regardless of the distance. Case law has interpreted this to include social, emotional or mental health rather than just difficulty with physical movement if it could be seen as unreasonable or unsafe for them to walk or use public transport. This threshold also does not necessarily require that they are claiming child Disability Living Allowance or have an Education, Health and Care Plan (EHCP), although these can both be used as supporting evidence. Hence, while this route to free school transport is not limited to passporting via benefits, receipt of child disability benefits can provide eligibility.

Neither Wales nor Scotland have an equivalent UC-passported extended right for those between two and three miles away from school, despite being more rural and therefore more likely to have a higher proportion travelling longer distances to school. Instead, councils have discretion to give more weight to real world geography, safety and feasibility, rather than use an imaginary radius as the rule. However, both nations have more generous income-subsidies for children of school age which families may use to contribute to transport costs.

The home-to-school transport bill for local authorities in England has soared in recent years, rising from just over £1 billion to £2.25 billion over the decade to

2023/24.[51] Mainstream home-to-school transport costs have risen by around £24 million since 2015/16 after accounting for the impact of inflation. The median cost per year of providing home-to-school transport is around £1,495 for mainstream transport and £8,920 for SEND transport per receiving pupil.[52] There is wide variation in how these costs affect different areas on a per capita basis across all their pupils, with spending ranging from just £2 in London boroughs to £57 in county council areas.[53]

According to a Department for Education snapshot data collection exercise from local authorities in February 2025, 7% of pupils receiving free home-to-school transport were eligible via extended rights conferred via free school meals, equating to 36,400 pupils.[54] In 2024/25, councils were allocated over £52 million for providing the extended right to free school transport.[55]

The total amount allocated has increased by almost 30% in the last four years alone. As with school funding, the Government has not yet decided on a new mechanism for assessing eligibility for the extended right to free school transport with the expansion of free school meals to all those on UC, keeping eligibility to the existing income threshold for this year at least.[56]

Unless new passporting criteria are implemented in the long term, the expansion of free school meals could add significant extra cost. By the same token, more restricted extended rights could drive more to seek SEND-related eligibility, which could increase costs even more. The original per-pupil amounts allocated for extended rights to different local authorities were based on an Association of Transport Coordinators survey a decade ago and only started being uprated from 2021/22.[57] Even small changes in eligibility or rebasing of rates could cause significant disruption in funding in some council areas depending on their geography.

Eligibility for free home-to-school transport can legally take no account of whether the family could reasonably provide their own transport, including having one or more cars. They also cannot legally take into account whether the state is already paying for that family to have a subsidised Motability car, whether due to a parents' disability or any child in the household.[58] 90% of Motability vehicles are leased without any adaptations for the driver or any passengers.[59]

Holiday Activities and Food Programme

Free school meals-eligible children are also able to access free holiday clubs during the school holidays via the Holiday Activities and Food Programme (HAF). This programme, funded by the Department for Education, provides activities and meals at holiday clubs, administered via local authorities. Guidance from the Department for Education encourages local authorities to spend up to 15% of their funding on free or subsidised places for children who are not in receipt of benefits related to free school meals but whom the local authority believe could benefit from the HAF, such as those with low school attendance rates. Pupils in year groups covered by universal infant free school meals are covered by standard free school meals eligibility rules instead.[60]

The programme was at pilot stage when the Covid-19 pandemic commenced, and during this time, it was expanded across all of England and into multiple school holidays, with some areas now providing half term schemes in addition to the longer school holidays. The expectation for the HAF is that providers operate on a 4x4x4 model - that is, that they offer places for a minimum of four hours a day, four days per week and for four weeks during the summer holidays. Across the 2023 to 2024 academic year, almost five million HAF days were provided with funding of approximately £200 million per year.[61] During the summer holidays of 2024, 624,000 children took up HAF places.[62] The Department for Education estimates that HAF helps parents to save over £300 per year.[63]

Evaluation of the early rollout of HAF found that 58% of clubs with HAF places were also open to children whose families were paying for their place, with 44% citing paid places as an additional source of funding.[64] Therefore, fee-paying families will often be further cross-subsidising government-funded places, in addition to funding the scheme through their taxes. According to the Coram Holiday Childcare Survey, holiday clubs cost parents an average of £179 per week (for a five day holiday club).[65] This puts the value of the effective subsidy to parents higher than the DfE estimate of £300 on a pro rata basis. Separately, wholly private holiday clubs have been estimated to cost 21% more than those run by councils.[66] So in practice, if families taking up HAF-funded places were looking for equivalents on the open market, they would likely pay higher fees than the equivalent HAF subsidy.

When the HAF first became a national scheme in 2021, it was funded with £220 million.[67] However, in the most recent round of funding announced this August, only £600 million has been earmarked to last three years.[68] Almost £214 million is already expected to be allocated in 2026/27, meaning that allocations will diminish further in future years unless the total is topped-up.[69] Growing participation, high food inflation and increasing labour costs will continue to erode funding per place. Given how recently the scheme has been rolled out on a national basis, there are no long term outcomes evaluations yet.

As with other schemes passported through free school meals, the Government has confirmed that those newly eligible once the earnings threshold is removed will not become eligible in the next school year.[70] This discrepancy will both create confusion from parents seeking to use the scheme and operational complexity for clubs and councils in verifying who is eligible. Beyond next year, funding is likely to stretch even less far over more children, which may further increase cost displacement to fee-paying families.

Vulnerable Students Bursary

For those beyond compulsory school age but still in non-advanced education in England, the 16-19 Bursary Fund provides cash under the Vulnerable Student Bursary to young people in care, care leavers, young parents and those with a UC claim in their own name who are financially supporting themselves or being supported through DLA or PIP. Those under the age of 18 are not usually able to claim UC at all except in the circumstances described above, instead receiving the under 25s rate of standard allowance. The 16-19 Bursary Fund also provides funds to education providers for discretionary bursaries that are usually assessed based on income, cost and need.

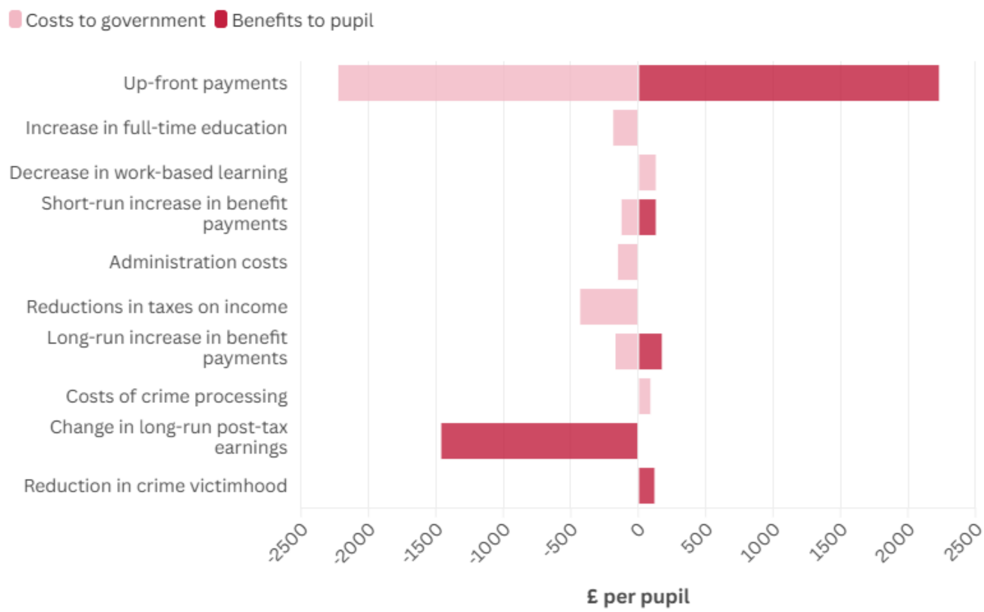
Up to £1,200 is available to eligible students under the Vulnerable Students Bursary, with guidance requiring that receipts are provided to show costs or benefits in kind for at least a partial period which can then be multiplied by expected attendance. In 2024/25, awards averaging £720 each went to 23,700 students, costing just over £17 million.[71] Separately, a Special Support Loan is available to those qualifying for the housing element of UC or certain legacy benefits as part of their maintenance loan for those in higher education.[72]

The £1,200 maximum was carried over from the Education Maintenance Allowance (EMA) scheme which it replaced in 2011, but it has not been uprated since. EMA provided £10 to £30 per week on the basis of parental income for those earning under £30,000 per year (£53,000 in today's prices).[73] Recent longitudinal analysis of EMA by the Institute for Fiscal Studies found no evidence that receiving EMA improved recipients long term outcomes, including their qualification or attendance levels in sixth form or university.[74] Worse still, EMA recipients had reduced earnings of 1% each year into their late 20s and higher rates of benefit claims. In total, for every pound spent on EMA, only 40p of benefit was derived in the long term, as shown in Figure 9 below.

This analysis provides a rare evaluation of the long term impact of passported benefits on incentives to work that goes directly against early evaluations while it was in its pilot phase. The research indicates that the financial support diverted some young people away from part-time work and work-based training, meaning they missed out on vital skills and experience to set them up for the long term.

Figure 9 - Effect of EMA on earnings and benefit receipt

Source: Institute for Fiscal Studies[75]



Analysis of the EMA further shows how inaccurate early pilot findings can be when initiating new passported benefits versus how politically difficult they are to reduce or take away even if they are found to be ineffective. Even though the maximum value of the assistance was maintained at the point of the switch from the EMA to the Bursary Fund in England, there were nationwide walkouts from pupils in schools and colleges against its removal, compounding protests against concurrent tuition fees rises. It also serves as a warning to Scotland, Wales and Northern Ireland where EMA still operates that well-intentioned passported benefits can harm the long term life chances of the very people they are meant to support.

There are specific exceptions determining whether and how much UC is awarded as a full-time student. UC for students under 21 is already limited to those in non-advanced education who have no parental support.[76] The 16-19 Bursary Fund is available beyond 19 if the course was started before age 19. Having a separate bureaucratic process for administering the bursary to such a similar cohort is questionable, especially if it replicates some of the poor long term outcomes seen with EMA.

Extra support childcare

As part of the Government's childcare hours offers in England, there is an additional 15 hours for parents of two year olds in receipt of UC who have earned income of less than £15,400.[77] This therefore includes parents who are not working while using the offer. It was recently renamed to the "two year olds receiving support" offer rather than referring to them as "disadvantaged". It is also available to other two year olds without an income cap if they are in care, have an EHCP or receiving Disability Living Allowance.

This scheme can be used in addition to other childcare offers depending on whether the parents also meet their separate eligibility requirements. This includes being able to claim back 85% of childcare costs through the UC childcare element, up to a cap. As with all hours-based offers, the 15 hours per week is a term time only based offer, so does not equate to 15 hours per week across the whole year, but it does not have to be used exclusively during the school term.

In 2025, there were just under 93,000 families on UC or legacy benefits receiving the additional support hours for two year olds.[78] Just under half of those pupils also attracted the Early Years Pupil Premium, which means that the childcare provider is paid a higher rate for the free hours used. Responding to pressure from the sector to increase the rates paid for different age groups, the Government increased the core funding rate for two year olds by over a third.[79] This gives an average subsidy of just under £6,000 per year per pupil.

Take-up of the offer is around 65% of eligible families, which is lower than the proportions for other childcare hours offers. A study by Nesta in 2023 found that attendance rates among those taking up a place were also six percentage points lower than for their fee-paying peers.[80] They were also twice as likely to have very low attendance, with almost a quarter attending for less than 70% of their scheduled hours.[81]

Health

NHS Help with Health Costs

There are several different routes to eligibility for free NHS prescriptions, dentistry and other medical costs. These include receipt of certain benefits, medical conditions, age, pregnancy or maternity, stage of education, and veteranship. There are several passported benefit routes. For low-income working-age adults, the two main ways to qualify for help with health costs are through an automatic exemption from benefit status if earning below certain thresholds, or the separate NHS Low Income Scheme (HC2/HC3). UC claimants with earned income under £435 per week in their most recent assessment period, or £935 if they are in receipt of the child element or health element, are passported. These are roughly equivalent to a £6,700 or £15,500 gross annual salary, so only UC claimants working less than full time on the minimum wage typically qualify for help with health costs via this route, even at the higher threshold.

The income threshold has a direct impact on work incentives, with only 32% of single working households on UC having consistent earnings below the £435 threshold. Almost 55% of households on UC will lose passported eligibility for help with health costs at least once a year because their earnings go above the £435 threshold, making them liable for a £100 fine if they falsely claim.[82] Similarly, but less acutely, around 66% of working couples have consistent earnings below the £935 threshold, with 34% losing eligibility at least once a year due to their earnings going above the threshold in at least one assessment period.[83]

Separate to passported eligibility with income thresholds, it is possible for working age adults to get free prescriptions and other medical items if they meet an income assessment and have limited savings. They can apply for an HC2 or HC3 certificate through the NHS Low Income Scheme to have their prescriptions full or partially covered. An HC2 certificate is available to anyone who has savings below £16,000, or below £23,250 if they live permanently in a care home. An income assessment is made to check whether it is less than that household's living requirements, up to half the cost of a prescription in England, which is currently £9.90. Those who do not meet the full threshold can get partial help under an HC3 certificate.

There will be UC claimants above the income threshold or with variable earnings who use the Low Income Scheme rather than the automatic passport to get help with health costs, but this is not possible to quantify. NHS Business Services Authority (NHSBSA) do not publish a formal list of thresholds so it can be difficult for applicants to check how much support they will likely receive prior to applying to the NHS Low Income Scheme. However, unlike the UC exemption, if successful, HC2 and HC3 certificates last for a year, whereas the UC exemption only applies if they are under the income threshold in their last monthly assessment period. The National Audit Office raised concern that this can be particularly confusing for UC claimants with variable earnings whose eligibility may vary from month to month.[84]

In 2024/25, 154,000 HC2 certificates were issued and 87,900 HC3 certificates were issued under the NHS Low Income Scheme.[85] Over a third of these HC2 certificates were issued to those aged 15-19 or over 60, which are likely to be for items other than free prescriptions given that those cohorts are likely to qualify by age.[86] There is no published breakdown of how much NHSBSA spends just on administering prescriptions or other medical exemptions and discounts. An investigation by the National Audit Office estimated that between 2014/15 and 2018/19, there was £246 million in outstanding debt to the government through unpaid penalty charge notices for invalid exemption claims, with only £133 million recovered over the same period.[87]

The interaction between UC and NHS exemptions is therefore especially complex. The UC route is automatic for those with low or no earnings, but it is assessed on the most recent monthly assessment period and can switch off after a single month of higher earnings. The Low Income Scheme is more stable, but requires a separate application to determine whether someone is reasonably able to pay after accounting for their other living costs. For the purposes of the costs analysis, only those going via the pure passported route are counted.

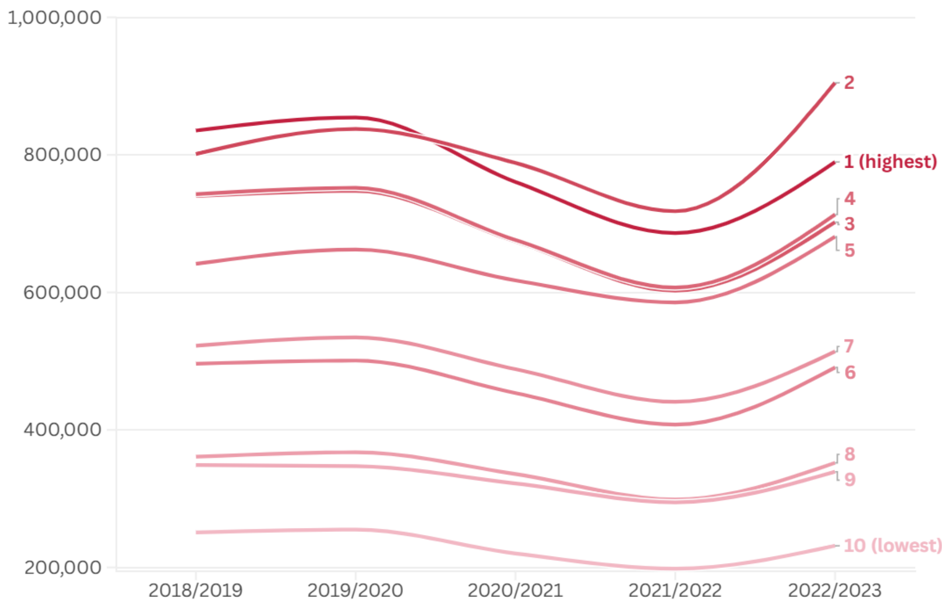
Free prescriptions

Most prescriptions dispensed from community pharmacies in England are exempt from the £9.90 charge. In spending terms, 96% of the total cost of prescribed items are exempted.[88] That is £10.7 billion exempted versus less than £500 million charged. Hence, prescription charges are really the exception, not the rule. Around 6% of prescribed items are marked as exempted on prescription forms but paid for separately via pre-payment certificates, which offer a fixed rate for three or twelve months. This means those on a 12 month pre-payment certificate pay £114.50 for the year regardless of the number of items prescribed, rather than the estimated average of £267.79 per patient for those prescribed items.[89]

In 2024/25, just under 123 million prescription items were picked up under a UC exemption, costing £947 million.[90] When factoring in those on legacy benefits too, this rises to £1.2 billion. There is no breakdown of the average number of prescribed items per person for the UC exemption categories, but the average number of prescribed items per person for those with a legacy NHS Tax Credit Exemption Certificate is 14.[91] Assuming the same number of prescribed items per person under UC, this would make claimants exempt from approximately £140 of prescriptions charges per year. Prescriptions have been free to everyone in Wales and Scotland from 2007 and 2011 respectively.

There is some indication that prescription charges may be preventing those on low incomes who may be just outside eligibility for income-based prescription charge exemptions from collecting their prescriptions. Analysis by the Pharmaceutical Journal shows that, by decile, areas with the second highest proportion of people on income-related support are not being dispensed items they are prescribed.[92] This indicates that those likely to be in UC but have higher incomes above the threshold are choosing not to pick up their prescriptions due to the cost of paying. This has changed in recent years since charges ticked above £9, meaning that items not dispensed no longer stack consecutively by decile.

Figure 10 - Number of items marked as 'not dispensed' from community pharmacies in each income deprivation decile in England
Source: The Pharmaceutical Journal[93]



Free dentistry

In addition to prescription costs, UC claimants are eligible for free NHS dentistry on the same basis as free prescriptions or an HC2 certificate. Free and discounted dentistry carries a much higher subsidy than prescription charge exemptions. A "course of treatment" is the NHS billing unit, with patients charged at Band 1–3 rates (£26.80 for Band 1 up to £319.10 for Band 3). Dentists are paid via local contracts using Units of Dental Activity (UDAs), typically around £25–£35 per UDA, and a course of treatment can attract up to 12 UDAs, with the balance of cost met through public funding. Non-exempt NHS patients pay £26.80 for Band 1 treatment, up to £319.10 for Band 3. This is topped up by the taxpayer by more than double the price for each Band.

In total, those exempt via UC or legacy benefits received 3.7 million courses of dental treatment in 2024/25.[94] In total, this cost £302 million, averaging £81 per course of treatment. Again, there will likely be additional UC claimants claiming free dental treatment via an HC2 certificate due to the income thresholds, but this is hard to quantify.

Help with other health costs

On the same basis as free prescriptions and dentistry, it is possible to claim back other healthcare costs as a UC claimant or an HC2 certificate holder. These include free or discounted sight tests, glasses, contact lenses, wigs, certain travel costs and other medical items. Applying for these involve an array of multi-page paper forms in addition to any HC2 or HC3 certificate application or with manual sign off from the Jobcentre Plus to verify claimant status before going to the NHS BSA. The Help with Health Costs schemes (including prescription and dental exemptions) are so complex even its accompanying plain English guide for patients is 37 pages long of dense text.[95]

For example, a review of the Help with Travel Costs Scheme, which reimburses transport costs for those referred for specialist NHS treatment or tests, estimated in 2021 that it cost £5-10 million per year, with 500-700,000 claims.[96] It highlighted the significant variation across the country in how costs could be claimed back, with some hospitals having cashier desks that could pay on the spot if claimants came with all the relevant documents, but these often had limited opening hours. Claims by post could take 90 days to process, sometimes just for a few pounds of reimbursement. As there is so little published information on take-up or effectiveness of these schemes specifically for those eligible via claimant status, they are not possible to cost in this analysis.

There is no published data on how many claims are made for this assortment of other health-related items, what proportion have their full costs remitted or how many are eligible via the passported route versus a HC2 or HC3 certificate. There are some other isolated data points available, like the total number of vouchers issued for NHS ophthalmic services like sight tests and glasses, but insufficient breakdowns to calculate average or total costs with any certainty.[97] These other Help with Health Costs items are therefore excluded from the total costs analysis.

Sure Start Maternity Grant

The Sure Start Maternity Grant is a one-off payment of £500 for the first child or for those expecting a multiple birth with existing children.[98] It is available in

England and Wales to those on UC and in certain other limited circumstances. It can be claimed any time from 11 weeks before the due date until six months after the baby is born. It is still administered via a paper form, including evidence of pregnancy or childbirth from a health professional. Paper-based claiming and third-party evidence requirements create avoidable friction and are likely to depress take-up among eligible households, while increasing administrative cost relative to the size of the award.

There were 47,200 grants issued in England and Wales in 2023/24 (the last year for which information is available) at a cost of £23.6 million.[99] There is no breakdown to show how many people receive the grant for the complex set of criteria listed outside of UC, such as having refugee status or humanitarian protection and claiming for a pregnant teenage family member, though these numbers are likely to be small in comparison to those eligible via UC.

Once part of the much wider Sure Start programme, there has been very little evaluation of the effectiveness of the grant since it was restricted to the first child in 2011. The value of the award has remained frozen since 2002 as one of the Social Fund policies that remained after the Welfare Reform Act 2013.[100] Its predecessor scheme - the Health in Pregnancy grant - gave women across the UK a £190 cash sum at their 25th week of pregnancy if they had been in contact with a doctor or midwife. In real terms, this means the grant now covers a much smaller share of the typical upfront costs associated with a new baby than it did when introduced. A study of its impact in Scotland found no evidence that it changed birthweight, reduced premature birth or improved maternal outcomes.[101] It was discontinued in 2011 after just two years.

In Scotland, the more generous Best Start Grant Pregnancy and Baby Payment was introduced after the Sure Start Maternity Grant was restricted to the first child in 2011, which became part of a suite of Five Family Payments at different early years stages. It provides £767.50 for a first child and £383.75 for subsequent children available from 24 weeks of pregnancy.[102] While there has been some limited evaluation of the collective Five Family Payments in Scotland, there is no consideration of alternative mechanisms for delivering support or their long term impact on outcomes.[103]

Separate from the Sure Start Maternity Grant, all expectant mothers who have their pregnancy confirmed by a healthcare professional can also get a maternity exemption certificate, which provides them with free prescriptions and dental treatment while they are pregnant and for 12 months after they give birth.

Healthy Start

Healthy Start pre-paid payment cards are available for UC claimants in England, Wales and Northern Ireland with earned income below £408 per month (equivalent to £4,896 per year) from 10 weeks of pregnancy and up to when a child is aged four.[104] This is a lower income ceiling than the £435 for free prescriptions, free dentistry and other medical items, originally linked to Child Tax Credit thresholds in the legacy benefit system. In May 2021, the scheme was extended on a non-statutory basis to British children in families with No Recourse to Public Funds using only the earned income threshold. The Government is currently considering consultation responses extending this to non-British children too.[105]

The cards are loaded with £4.25 per week from 10 weeks of pregnancy and for children between the ages of 1 and four.[106] While the child is under one, the rate is doubled to £8.50. This is equivalent to £221 and £442 per year respectively and unspent balances are allowed to accumulate. In addition, recipients can get free Healthy Start vitamins from certain NHS or local authority providers, such as health visitors, pharmacies and Family Hubs. In Scotland, the Best Start Foods payment, as part of the Five Family Payments, pays the equivalent of £5.40 per week during pregnancy and for each child between one and three years old, and £10.80 during the child's first year.[107]

Healthy Start cards are intended to be spent on cow's milk, infant formula based on cow's milk, fruit, vegetables and pulses. However, they are simply pre-paid Mastercards that can be tapped like any other card, with the only restrictions being whether the retailer has an accepted Merchant Category Code for the type of shop. Accepted shop types cover supermarkets, convenience stores, pharmacies, markets, petrol stations and more. Guidance to retailers is clear that they are not required to check what someone purchases and that this is entirely the responsibility of the cardholder.[108] Online forums discuss being able to purchase alcohol, vapes and even Playstations when cards have accumulated sufficient funds.[109] This is plainly not the intention of the policy.

The scheme currently costs £86 million per year.[110] In December 2025, there were 354,720 claimants on the Healthy Start scheme in England, Wales and Northern Ireland.[111] Due to an issue with the data since January 2023, there has been an error in the uptake statistics published, meaning there are no current figures for the proportion of those eligible who are taking up the scheme.[112] In the last month for which reliable data is available, uptake was 62%, which was well below the Government's 75% target.[113]

Evaluation of Healthy Start by the National Institute for Health and Care Research (NIHR) using individual data-linking methods found that take up was low during pregnancy, with an inconclusive impact on birth outcomes among those on the scheme.[114] Likewise, there was little difference in vitamin intake for those on the scheme when compared with those eligible, but not claiming, or those just outside eligibility. It should be noted that while the study was published in 2023, the fieldwork largely took place before Healthy Start was moved from a paper voucher scheme to a pre-paid card scheme and while the value of the vouchers were £3.10 and £6.20 for the relevant cohorts.

Quite apart from obvious avenues for abuse and lack of tangible health outcome improvement, the earnings threshold has a damaging interaction with incentives to work: 56% of working households on UC with children have consistent earnings below the £408 eligibility threshold.[115] However, 43% of working households will lose eligibility for Healthy Start at least once a year because their earnings go above the threshold in at least one assessment period. While there is an eight week grace period in which eligibility continues after earnings rise above the threshold, those with sustained or seasonal fluctuations in their income would have to reapply each time.[116]

Energy

Warm Home Discount

The Warm Home Discount is a mandatory scheme that requires energy suppliers in Great Britain to provide an annual, automatic rebate of £150 to certain households. In England and Wales, eligible households are currently split into two groups.[117] Core Group 1 consists of households on the Pension Credit Guaranteed Element who are automatically eligible. In 2024/25, Core Group 2 predominately consisted of households in receipt of UC who are also living in a property with a high energy costs score. For 2025/26, the high energy costs score will no longer apply, so all households on UC will be eligible for the rebate from energy suppliers with more than 1,000 customers.[118]

The changes this winter move away from the previous energy cost scoring system which was determined by Valuation Office data on property type, property age and floor area. No regard was given to Energy Performance Certificate (EPC) ratings, which looks at factors like the building fabric and heating system. This meant that older houses with significant heat retention retrofitting would still qualify, even though they may have low energy costs. Suppliers are also able to spend part of their Warm Home Discount obligation on “Industry Initiatives" outside of the rebates, such as debt assistance, energy efficiency advice or devices and helping claimants access other passported benefits.

Scotland still uses the pre-2022 Border Group criteria instead of Core Group 2, which assesses households on certain benefits including UC according to whether they are deemed to be in or at risk of “fuel poverty”. The assessment of fuel poverty risk is based on the characteristics of the household members rather than the physical house, including whether there are children under the age of five or disabled people living there. Scottish households still have to apply to their supplier to receive the rebate rather than this being automatic.

While the Warm Home Discount is a statutory scheme, unlike most other passported benefits, it does not involve direct government subsidy. Instead, energy suppliers fund the scheme directly by recouping the cost from other bill payers. In 2024/25, £483 million was spent in England, Wales and Scotland.[119] £340 million of the spend in England and Wales went to almost 2.2 million Core Group 2 households on working age benefits.[120]

In the Government’s impact assessment for removing the high cost to heat threshold estimates the total levy will increase costs to energy suppliers by around £400 million to £1 billion.[121] This was estimated to pass on a cost of £37 to the average dual-fuel billpayer, up from £22 before the change.[122] This indicates that the cost of UC claimants in receipt of the Warm Home Discount will top £800 million when combining the proportion of existing claimants in Core Group 2 with the estimated cost increase.

Breaking the link to households that are more likely to face higher energy costs, means it is now effectively just an income top-up, paid for by everyone else in higher bills. It is difficult to justify a system in which households who receive no support are required to pay higher energy bills to fund a blanket rebate for everyone who receives benefits, regardless of those households' actual energy needs. Involving each energy supplier in individually delivering £1 billion of blanket welfare in this way is a hugely convoluted way of effectively taxing suppliers. Meanwhile, the Industry Initiates part of the scheme, which helps households to permanently reduce their bills through measures like energy efficiency improvements, boiler replacements and debt write-offs, is not planned to be expanded.

Energy Company Obligation

Separate from the Industry Initiatives Scheme under the Warm Home Discount, there has been an additional scheme called the Energy Company Obligation (ECO) focused on home heating cost reduction for those in receipt of certain benefits. It is currently in its final phase due to end in December 2026 and is open to those on UC, Pension Credit, Child Benefit (up to an income cap based on the number of adults and children) and those not on benefits in some other circumstances. For home owners, the house's EPC rating must be below D to be eligible or below E for private and social renters.

Energy efficiency measures include various types of insulation, heat pumps and solar panels, with gas boiler upgrades being taken out of the scheme in its latest phase. Like the Warm Home Discount, it is funded directly by suppliers, requiring them to achieve a total of £224.3 million in annual bill savings for domestic premises.[123] The average cost of delivery under the fourth phase of ECO is around £22.36 per £1 annual bill savings.[124]

The scheme has been widely criticised for a range of issues, including suspected fraud, poor quality installations and poor targeting, with a higher than expected number of claims from homeowners.[125] It has recently been extended from the expected close date of March 2026 to December 2026 as the Government had not yet published its Warm Homes Plan in time.[126] This has now been published, but with no information about how low-income households will qualify.[127] Further detail is expected in the spring. In the latest year of the Energy Company Obligation up to September 2025, installations across 71,000 households have cost £1.15 billion.[128] Not counting the administrative cost of the scheme, this means an average direct subsidy per household of almost £20,000 in installed measures.

A survey of recipients in the third wave of the Energy Company Obligation showed that 16% were in receipt of UC, plus a further 10% on at least one income-based working-age legacy benefit.[129] An income eligibility cap of £31,000 was introduced for the final wave, but other flexibilities were introduced that could be used to bypass the cap. Using wave 3 claimant proportions as a proxy for the proportion of UC or legacy working age claimants in the latest year of the scheme too, the scheme is estimated to spend £366 million on UC or legacy claimants.[130]

Separately, the Warm Homes Social Housing Fund (previously the Social Homes Decarbonisation Fund) provides energy efficiency-related retrofitting to social homes, but is not passported via claimants themselves but goes to their landlords. In its current phase from 2025-2028, it has so far allocated £1.2 billion to almost 140 social landlords.[131] This will fold into the Warm Homes Plan too, but detail on who will be eligible has not been released on this element either yet.[132]

Cold Weather Payments

If the average temperature falls below or is forecast to be below 0°C for seven consecutive days in a postcode district, eligible households are granted £25 retrospectively through the Cold Weather Payment scheme. Households on UC, and those receiving legacy benefits, Support for Mortgage Interest or Pension Credit, are eligible for these payments under certain conditions. Households must have either a disabled child, or be claiming UC for a disabled adult or a child under five to qualify.

Like the Sure Start Maternity Grant, Cold Weather Payments are another hangover from the Social Fund that ran alongside the legacy benefit system. It is explicit in barring those on UC who are working except if they have a disabled child. The amount of payment may be modest and unpredictable so the actual impact on the incentive to work is unlikely to be significant. Nevertheless, it still adds to the list of bonuses that some claimants get, without any consideration of their property type or whether they have taken any steps to protect their home from the cold.

In the winter of 2024/25, there were 33 cold weather triggers, with just over a million payments made to those on working age benefits.[133] Due to payments triggers being entirely weather dependent, the cost of the scheme varies wildly from year to year. For the last two milder winters, it has cost £30-35 million, compared to £140 million in the winter of 2022/23.[134] Averaging across these three years, that gives an annual cost of £68 million. 74% of recipients qualified via UC, therefore costing just over £50 million per year on average for each of the last three years.[135]

Water

WaterSure

WaterSure is a scheme which reduces water and sewerage bills for metered households on UC or other means-tested benefits if they have a medical need for high water use or three or more dependent children. This final eligibility has sat particularly absurdly alongside the UC two-child limit, which will now be abolished in April 2026. WaterSure usually takes the form of a percentage cap or a set capped value, as set by each water provider.

Since 2015, it has been a statutory duty for water companies in England to provide a WaterSure scheme, with both major Welsh water suppliers also running WaterSure schemes on a voluntary basis.[136] In Scotland, where Scottish Water is nationalised, there is no WaterSure-style scheme but instead a bill reduction is applied at the same proportion as any council tax reduction the household may be eligible for.

According to the Consumer Council for Water, 260,800 households received an average bill reduction of £325 in 2024/25.[137] In the same year, it cost suppliers almost £85 million, over double the amount provided in 2017/18.[138] Customers pay £2-£3 per year extra on their water bills to fund the scheme.[139] WaterSure is only available to metered customers, meaning that some of those living in flats with a shared supply who may otherwise be eligible cannot be capped. Recent estimates from the Consumer Council for Water suggest that 2 million households are estimated to be in “water poverty” – that is, spending 5% or more of their disposable income on water bills.[140] SMF analysis of the Living Costs and Food Survey puts this number at around 1.75 million.[141]

A series of conditions of the skin and bowel typically provide qualification for WaterSure, plus those with renal failure requiring at-home dialysis if not already reimbursed by the NHS.[142] Reimbursement for one type of at-home dialysis is outlined in the NHS England service specification, although there is no nationally consistent practice for how this is delivered and no auditing of renal unit schemes. England is the only nation in the UK without an nationally consistent health reimbursement scheme across different types of at home dialysis.[143] This can result in gaps of weeks or sometimes months where a patient starting home dialysis has not had an assessment completed by the hospital and therefore are able to apply to WaterSure, which then lasts for the whole year.

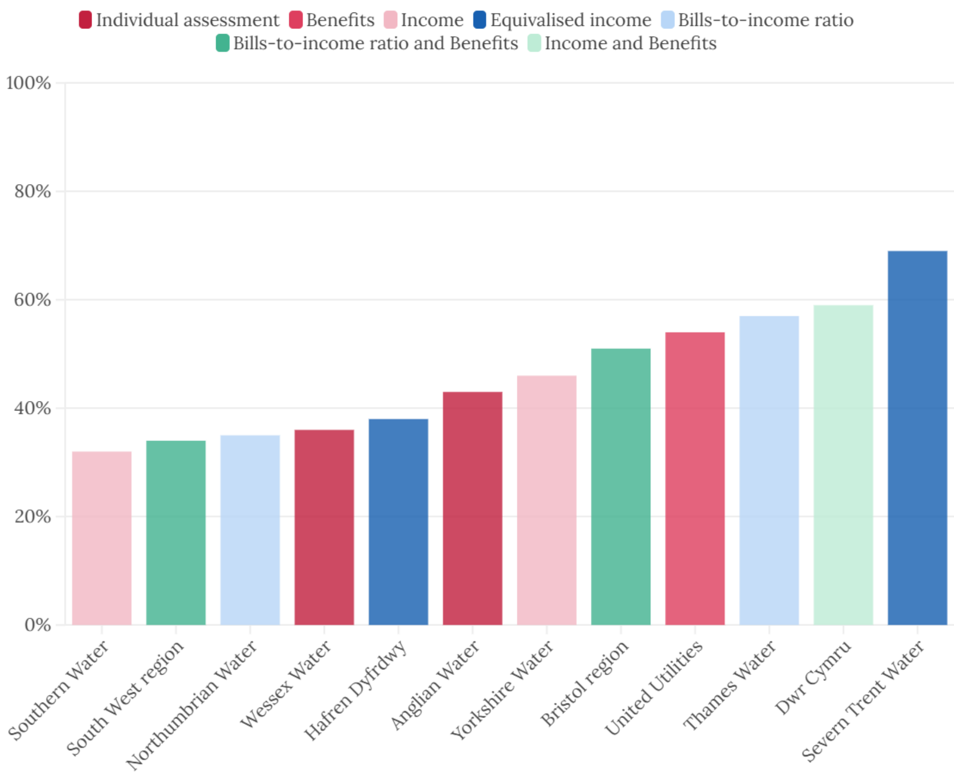
The Government is currently processing responses to the consultation on reforming the WaterSure scheme.[144] Proposals include extending the list of qualifying benefits to include non-means tested disability benefits for those claiming through a qualifying medical condition (possibly up to an income cap). Together the measures could add significant cost and complexity to the scheme, which is hard to quantify before decisions within the options have been made.

There is no breakdown of the proportion of those claiming WaterSure that are above state pension age claiming via Pension Credit. The Consumer Council for Water states that roughly two thirds of WaterSure claims qualify via the medical route.[145] Given that the number of claiming households above state pension age with three or more dependent children is likely to be negligible, it is reasonably safe to assume that at least a third of spending on WaterSure is going to those qualifying via UC or legacy working age benefits.

Water social tariffs

Water social tariffs were first introduced in 2009, requiring every water company in the UK to provide a discounted tariff for vulnerable customers, but with broad discretion over how this is delivered. As with WaterSure, eligible customers usually have to apply to their provider rather than receipt being automatic and some exclude those already receiving assistance from WaterSure. South West Water, United Utilities, Dwr Cymru and Affinity Water use benefit receipt as a passport to a water social tariff alongside other criteria.[146] Assistance is broadly either a proportional bill reduction ranging from 15% to 90%, or a bill cap varying from £66 to £450, depending on the water company.[147] In 2024/25, almost 2 million customers had their bills reduced by an average of £190.[148] This cost suppliers a total of £374 million in the same year and is projected to rise to £640 million a year by 2030.[149]

Figure 11 - Average social tariff savings by type of social tariff
Source: Onward analysis of Ofwat and Social Market Foundation[150]



* This graph shows South West Water - Bristol region performance and South West Water – South West region performance separately

Due to the differing structure of social tariff schemes across suppliers and their regional monopolies, there is a postcode lottery as to how much support is provided and how much cross-subsidy other customers pay. Ofwat estimates that by 2030, Thames Water customers will be subsidising social tariffs by an average of £55 per customer, compared to just £13 per customer for United Utilities (the lowest subsidy amount among water and sewerage companies rather than water only companies).[151] However, United Utilities is also the company with the greatest projected increase in the proportion of customers on a social tariff in the next five years, increasing by 10%, due to their tariff being tied to benefit receipt and applied without customers having to individually apply.[152]

Limiting just to the providers that tie eligibility directly to UC, legacy or Pension Credit receipt, rather than a separate income and expenditure or bills-to-income assessment, water social tariffs provide £78 million in financial assistance reaching approximately 300,000 properties in 2024/25.[153] The average bill reduction that households from these providers received last year was £244.[154] There are no published statistics on what proportion of those in receipt of these social tariffs are on working age benefits versus pensioner benefits.

There have been widespread calls from charities to move to a single social tariff, including calls for an auto-enrolment scheme on a bills-to-income ratio. The Social Market Foundation modelled three different ways in which this could operate, costing between £460 and £790 million, or between £18.45 to £31.30 per customer.[155] Bills-to-income schemes would all require significant changes to data sharing with water companies and may require changes to the Digital Economy Act.[156]

However, any change of this nature, especially an increase in the amount that customers are cross-subsidising social tariffs, is likely to be unpopular against a backdrop of rising water bills. In recent research by the Consumer Council for Water, over half (52%) of respondents said that it was unacceptable for social tariffs to be funded through other customers' water and sewerage bills, with less than a third (32%) responding that it was acceptable.[157]

The cost displacement challenge will become all the more acute given the need to invest in water infrastructure. In the 2025-2030 price review period, water companies are set to spend £104 billion to reduce leakage of both fresh and wastewater, and improve overall water supply.[158] This amounts to a £31 average bill rise for customers before inflation. Around 40% of customers thought that water bills would be difficult to afford for them after they were shown their company's proposed bill increases for 2025-26 to 2029-30, based on Ofwat's draft determinations.[159]

Broadband social tariffs

Broadband social tariffs are a more recent development than other utilities. BT first offered a social tariff in 2011, before the Government more widely encouraged their provision on a voluntary basis in 2022. All major providers now offer a form of discounted social tariff rate, usually available to at least those on UC and Pension Credit.[160] There are no mandatory price, speed or availability rules, but most packages are above an average speed of 30 megabits per second considered “superfast”.[161] By June 2024, social tariff uptake had reached 506,000 customers, up a third on the previous year.[162] Some telecoms companies also now offer social tariffs on 5G mobile phone contracts too, though SIM-only deals from smaller providers are likely to be cheaper.

Available broadband or 5G social tariffs currently range from £10 to £24 per month, with an average annual subsidy of £200 for those notionally available across all of England and Wales (although some may have local limitations).[163] This is roughly half the price of the annual yearly spend on fixed broadband with the same provider on the closest commercial tariff.[164] Ofcom does not publish figures on how much providers spend in total on broadband social tariffs or how much cost they pass on to other consumers. There is also no breakdown of take-up by passporting benefit, but Ofcom uses UC as a proxy for all eligibility in their yearly pricing trends analysis.[165]

Despite the increases in those claiming, Ofcom indicates that just 9.6% of those eligible were claiming a social tariff in 2024.[166] According to analysis by Policy in Practice, broadband social tariffs were the most under-claimed passported benefit, with over 7.5 million eligible claimants estimated to be missing out on broadband social tariffs, with a total value of £1.5 billion.[167] Given the relative recency of social tariffs entering the broadband market, awareness and lack of obvious advertising appear to be holding back uptake. Research from the Citizens Advice Bureau indicates that high exit fees from existing contracts are also a factor preventing people from switching.[168] It is likely this impact may lessen over time as those now aware of social tariffs naturally come to the end of higher price contracts and are able to switch without penalty.

BT dominates the social tariff market with over 60% of take up. This is despite the fact that its lowest cost plan only for those on UC with no earned income is £16 per month is higher than other social tariff providers, including some of those available nationally. Coupled with the fact that social tariffs are often poorly marketed by other providers, it appears that claimants are not aware that they should still shop around for the best rate, whether it is a social tariff or not.

Legal aid

Civil non-contributory legal aid is passported to those in receipt of UC, Pension Credit Guaranteed Element and legacy working age benefits, avoiding the usual income means test.[169] Those not in receipt of benefits need a gross household income of less than £31,884 per year (unless they have less than four dependent children, which then raises the threshold).[170] If their income is below that threshold, only then do they progress to a disposable income test, with a sliding scale between £315 to £733 which determines how much they may be required to pay towards their costs. The threshold has not been changed since 2009 and therefore those eligible outside of benefit-related passporting has significantly declined as wages have inflated. All civil legal aid applicants, including those on UC also have to pass a means test of their disposable capital, usually up to £8,000.[171]

As with all routes to legal aid, only particular types of cases are within scope and cases must also meet merits-based criteria. UC passporting therefore means that some higher-earning UC claimants are eligible for full civil legal aid while lower-earning non-UC claimants are ineligible or would have to contribute to their costs.

For criminal legal aid, there are different eligibility assessments depending on where the case is being heard. At Magistrates' Court, advice and representation for those earning less than £12,475 automatically attracts legal aid, and those earning up to £22,352 have their disposable income assessed. For Crown Court criminal legal aid, income does not determine access to legal aid, but does determine how much contribution defendants have to pay if they are convicted.

While there is no formal disregard of benefit income for criminal legal aid income assessments, defendants on UC are usually treated as having insufficient disposable income to pay contributions. This means that, for example, someone working 40 hours per week at the minimum wage earns too much to be eligible for criminal legal aid unless they were claiming UC too.[172] As legal aid is almost always granted in the Crown Court, some defendants who do not qualify for legal aid in the Magistrates' Court choose trial in the Crown Court, because otherwise they would not be able to afford legal representation.[173]

In 2019, the Government launched the Legal Aid Means Test which aimed to re-base thresholds that had not been uprated in line with inflation and expand access for vulnerable groups.[174] It consulted on a series of changes, including making households on UC with more than £500 per month earned income undergo an income assessment. In the accompanying Impact Assessment, it is estimated that this threshold would result in only 73% of currently passported individuals being in receipt of non-contributory civil legal aid. It proposed continuing to passport all recipients of UC through the income assessment for criminal legal aid.[175] While these recommendations from the review were accepted in 2023, the secondary legislation required to bring them into force has not yet been laid, but is expected this year.[176]

In England and Wales, 20% of the adult population in 2022 were estimated to be eligible for non-contributory civil legal aid under a scenario of full UC rollout with no income assessment for claimants.[177] There is no further publicly available breakdown to show how many of those eligible received legal aid and whether this was passported through UC or via an income assessment. In 2024/25, the Legal Aid Agency spent £2.1 billion, just over half of which was on criminal legal aid and the rest civil legal aid.[178] In the same year, the Legal Aid Agency processed 380,000 applications for legal aid.[179] Some costs counted as legal aid are not borne via income assessed routes, such as free advice available to all from the duty solicitor at police stations, but it is difficult to separate these costs.[180]

There are no published breakdowns of the current proportions of each type of legal aid that are passported versus income-assessed. According to an independent review of criminal legal aid in 2021, around 45% of applications are automatically passported for legal aid since the defendant is receiving UC.[181] Using this proportion as a proxy for civil legal aid too, approximately 145,000 claims a year via the passported route, costing £472 million per year.[182]

Court fee remission

In addition to legal aid, for cases that typically incur court, hearing, appeal or some tribunal fees, UC claimants are automatically eligible for full fee remission. It has been provided through the "Help with Fees" scheme through HM Courts and Tribunals Service since 2013. Those not in receipt of UC or

Pension Credit Guaranteed Element have to pass an income test, but this is based on gross household income rather than the disposable income measure which applies for legal aid. For a single person, the monthly income limit is £1,420, rising to £2,130 for a couple and then an extra £425 for each dependent child under age 13 or £710 for those 14 and over.[183] Again, it is perfectly possible for an eligible household on UC to receive well over the income limits in their UC payment once factoring in housing, health and other elements.

In 2022-23, the Government consulted on a range of changes to the Help with Fees scheme, including measures that would have seen eligibility more closely aligned with legal aid means testing, which was under review at the same time.[184] This included abolishing the previous earned income test for UC claimants which removed passporting for those who earned more than £6,000 per year.

A capital test applies to all fee remission, which is different to the legal aid capital test. There are limits of £4,250 for fees under £1,420 up to £16,000 for fees over £7,000.[185] Most fees are well under £1,420, with the highest common fee being £612 for divorce.[186] Alongside a range of options, proposals to bring the capital limits in line with legal aid were rejected, leaving the capital limits at the same level as they were at the introduction of the scheme in 2013.[187]

There is no routine publication of the amount of revenue lost to fee remission each year. In 2021-22 (prior to eligibility changes in 2023), remission was equivalent to £81 million, which was 11% of the total value of fees charged.[188] There were just over 122,500 recipients of partial or full remission in that year, giving an average remission value of £661 per recipient.[189] Since then, the removal of the £6,000 earned income test for UC recipients has widened this route for passported eligibility, taking the proportion eligible for full fee remission from 93% to 99% of passported recipients.[190]

Funeral Expenses Payment

A Funeral Expenses Payment is available in England and Wales to those on UC to cover necessary burial or cremation costs, reasonable travel costs plus up to £1,000 for other funeral-related expenses. Applicants must be the nearest responsible relative for the deceased and on UC or Pension Credit to qualify. The amount available for burial and cremation costs is uncapped, as are reasonable travel costs that the claimant may incur to arrange the funeral or travel to the funeral itself. Costs are then recovered in full or in part if there is an estate of the deceased from which to recover them.

The rules on the nearest responsible relative are set out in Social Fund regulations, which assess which relative is closest in a hierarchy from spouse through to close friend. If there is more than one relative with the same relational closeness but not on UC, they are deemed responsible for paying unless specific evidence of estrangement, abuse or incapacity can be provided. This can leave a UC claimant with the closest interpersonal relationship with the deceased making the arrangements and ineligible for a payment even if the other relation deemed responsible for paying refuses to cover the costs of the funeral. As Funeral Expenses Payment claims are usually lodged retrospectively up to three months after the funeral has taken place, some claimants unexpectedly find their claim has been denied even if they were the primary carer for the deceased.[191] In 2024/25, 1,000 applications for Funeral Expenses Payments were refused due to not being deemed the closest family member.[192]

For those who die with no arrangements or anyone willing to pay, public health funerals are provided by the local authority. Close family or friend attendance can be requested alongside a brief service but this is granted at the council's discretion. Again, costs are recouped from any significant estate. Around 2% of all funerals are paid for at least in part by some form of Government grant.[193]

In 2024-25, £52 million was spent on Funeral Expenses Payments, with just £700,000 being recovered from estates.[194] According to SunLife's annual *Cost of Dying* report, of those who receive a Funeral Expenses Payment, it covered only around 46% of total simple funeral costs in 2025.[195] There has been no routine publishing of application and award statistics for the Funeral Expenses Payment since the Social Fund Annual Report was discontinued after 2020/21. A written answer to a parliamentary question in February 2022 indicated that around a third of the 3,400 applications submitted on average per month in the previous year were rejected.[196]

In September 2020, Scotland diverged from England in Wales, replacing the Funeral Expenses Payment with a more generous Funeral Support Payment. While eligibility is still passported via UC, there is greater discretion over the nearest responsible relative tests if the claimant is the *de facto* funeral organiser. Burial, cremation and travel costs are paid separately at cost as they are in England and Wales, but a higher contribution is required if the deceased had a funeral plan.[197] These rates are uprated by CPI each year, while Funeral Expenses Payments only increased to £1,000 in 2020 as a one-off increase and the first time rates had increased since 2003.[198] According to Scottish Government evaluation of Funeral Support Payments from 2019-21, 77% of recipients were below state pension age, therefore likely qualifying via UC or legacy working age benefits.[199]

In addition to Funeral Expenses Payments, the DWP also administers Bereavement Support Payments UK-wide to working age spouses of the deceased or cohabiting partners with dependent children, so long as they had paid National Insurance contributions for at least 25 weeks in any one tax year before they died.[200] This is intended as income replacement for lost household income rather than cost reimbursement and is not contingent on benefit status. It starts with a lump sum of £2,500 for those without dependent children, or £3,500 for those with dependent children, with monthly payments of £100 or £350 continuing for 18 months.[201]

While Bereavement Support Payments and Funeral Expenses Payments serve different cohorts, it is worth noting that some UC claimants paying for funeral arrangements for a loved one will receive both, while others may receive neither. Many will be unaware of their eligibility and the total value of support they will get until well after immediate costs have been incurred.

Help to Save

Help to Save is a UK-wide savings scheme run by the government which allows working UC claimants to receive a 50p tax-free bonus from the government for every £1 they save over four years. Until April last year, the bonus was paid in two installments according to the highest balance saved at any point at the first two and the last two years each, even if withdrawals have reduced the balance by the point of bonus payment.[202] The maximum amount that can be deposited each month is £50, meaning that the maximum bonus possible over the four years is £1,200. Accounts remain open and pay bonuses for the full four years regardless of whether claimants come off UC during that time.

Help to Save cost £45 million in 2024/25, with just under 200,000 claimants due to receive a bonus from accounts opened two and four years prior.[203] The average deposit paid in each month of 2024/25 was £48 per month, showing the intention of claimants to maximise their payout.[204] However, the average bonus paid out for those who opened accounts that reached year two or year four in 2024/25 was just £227. This figure is likely to be depressed by the high number of claimants who open an account but never pay any money in, who total 36,000 since the scheme began in 2018.

In April 2025, an earnings floor which stipulated that claimants had to have at least £793 earned income in their last monthly assessment period was reduced to £1, so the scheme is now open to all those working on UC.[205] Rather than paying out every two years, Help to Save will now pay out every six months and will be based on net contribution rather than the highest balance.

There is only one month of data available since the change, which saw account opening almost double month on month, although there have been other spikes coinciding with communications campaigns.[206] While those with lower earnings may be less likely to pay in the maximum amount, the total eligible population has increased by 16%.[207]

A government-commissioned evaluation of Help to Save published in November 2025 (assessing the period before the change in scheme design) shows mixed results about whether savings habits were likely to be sustained long term, as per the scheme's stated purpose.[208] On the one hand, 84% of those who had come to the end of their four years on Help to Save reported that they were more confident that they would be able to continue their savings habit for 12 months or more. At the same time, around a third of previous scheme beneficiaries also reported that they would either save less money (33%) or less frequently (30%) than before Help to Save.

More concerningly, the same report indicated that when those who had received Help to Save bonuses were asked what they did with the money, the most common response was that they used it to pay off debts or bills, with over a third (35%) reporting this use.[209] It suggests that rather than using their disposable funds to incrementally pay off debt or arrears, they may have been letting interest accrue while waiting for the generous biennial payout. This is perfectly rational behaviour within a scheme with such a generous subsidy while also protected from the full burden of their debts by cap on deductions taken while on UC. However, it may be embedding distorted behaviour that is unsustainable outside of UC, with no savings accounts on the private market offering anywhere near the same returns and a far more punitive debt collection regime.

Local

Council tax support

Since 2013/14, local authorities have been required to set up their own council tax support schemes detailing eligibility and reduction amounts. Only reductions for certain types of pensioners are mandatory. For most schemes, UC claimant status forms part of the eligibility route for council tax reduction. This typically includes full or higher reduction for those in the limited capability for work conditionally group, or with no or low earned income.

The default model for council tax support involves tapering support above a set threshold, usually at a 20% taper rate, with three quarters of council tax support schemes in England structured in this way.[210] The other quarter set income bands within which there is no change in support. As council tax support is delivered outside UC taper, this additional taper can lead to very high marginal effective tax rates, especially for those earning above the personal allowance. These disincentives to work are magnified for those with fluctuating earnings, with 1.4 million households estimated to be impacted by in-year changes in council tax support in councils using the default model.[211]

Local council tax support was previously provided through Council Tax Benefit which operated under a single national set of eligibility and award criteria, sharing means-testing rules with Housing Benefit. Until 2013, councils were fully reimbursed by central government for the reductions, regardless of local council tax rates. After an initial 10% cut in funding when local council tax support was introduced, central government funding for these schemes has eroded significantly as local government finance settlements have been squeezed.

From UC's inception, there was a clear intention to roll council tax support into UC payments. The Local Government Finance Act 2012 even required there to be an independent review into the council tax reduction schemes provided by councils, including recommendations on whether such schemes should be brought within UC.[212] However, by the time of the review's publication and government's response to it, there had been a wider policy shift towards localism which favoured local fiscal responsibility over a centrally set system.[213] Alongside the migration to UC simply being too slow to consider a new workstream on merging with council tax support at the time, plans to roll the two together were formally dropped in 2018.[214]

Local council tax support schemes vary widely, with most introducing minimum council tax payments for those receiving a reduction. Analysis by the IFS in 2019 found that the average minimum payment was 19%.[215] Welfare reforms implemented at a national level during the last Government have also been incorporated in scheme design by many councils, such as introducing a two-child limit, a freeze in benefit rates and the minimum income floor for the self-employed.[216]

There is also significant variation between UK nations. In the average local authority in England, a family with an average council tax liability receiving maximum council tax reduction would have to pay £248 per year, compared to zero in Scotland and Wales.[217]

To add to the confusion claimants' face, council tax bills are calculated on an annual basis, while eligibility for council tax reduction can change from month to month. Research by the University of Bath interviewing claimants in receipt of council tax reduction found that councils using HMRC real time earnings data to determine eligibility could put claimants on full reduction one month and into arrears in the next.[218]

The postage cost alone of issuing new bills due to fluctuations in income that trigger different support rates is estimated to be up to £16 million per year.[219] In the last quarter for which local council tax support statistics are available, there were 2,288,079 working age local council tax support claimants.[220] Policy in Practice estimates that the average yearly claim for council tax support from those on UC is £1,200 in England, with a take-up rate of 62%.[221]

Flexible Support Fund

The Flexible Support Fund is a discretionary scheme accessed through the Jobcentre Plus which allows work coaches to grant cash to help UC claimants pay for the costs of finding or starting work. This includes expenses like travel to interviews, interview clothing, training and upfront childcare costs. There is very little publicly available information about how it is spent. According to DWP's projection of spending for 2024/25, it was due to cost £117 million.[222]

Crisis and Resilience Fund

From April this year, major consolidation of discretionary support is coming through the new £1 billion Crisis and Resilience Fund, which rolls together Discretionary Housing Payments and the Household Support Fund. It will provide local authorities in England with funding to support low-income households who "encounter a financial shock and to support activity that builds individual and community financial resilience."[223]

Guidance on the new Crisis and Resilience Fund sets out a largely narrative account of problems that a potential recipient could have and general commentary on what support could look like.[224] The new guidance replicates failures in its predecessor schemes that do not properly distinguish between whether the crisis is an unforeseen one-off event versus the result of a structural deficit in that household's income and outgoings. There is no defined framework for assessing whether a circumstance demands a temporary cashflow bridge to avoid falling into deficit rather than up-front assistance to move the household to a more sustainable financial footing in the long term.

Discretionary Housing Payments

Previously, the Discretionary Housing Payment was a scheme which expanded rapidly after welfare reforms were implemented in 2013. Claimants had to be in receipt of housing benefit or the UC housing element to be eligible. In the new Crisis and Resilience Fund guidance, it is not specified whether this will remain a scheme passported only to those on housing-related benefits. It also mentions mortgages as a priority debt, which could blur whether it can be used instead of a Support for Mortgage Interest loan.[225] In 2024/25, £106 million was spent on just under 150,000 Discretionary Housing Payment payments.[226] Based on evaluation of the scheme published in 2024, roughly 93% of which are estimated to have been received by recipients of working age.[227]

Receiving Discretionary Housing Payments directly distorts the intentional incentives of the 2013 welfare reforms to make sure that claimants are renting properties of an appropriate size that they can afford within their benefit award - and to move if this is unaffordable. In the last year, 61% of support provided through the scheme was dispensed to claimants for the express purpose of mitigating the impact of welfare reforms, such as the removal of the spare room subsidy, Local Housing Allowance shortfalls caused by a freeze in rates and the benefit cap.[228] Less than a third was used by recipients to help secure alternative accommodation through rental deposits or cover short term rental costs while waiting to move. By dampening the incentive to move, the payments are causing long-term dependence on discretionary support. In the 2024 evaluation of the scheme, 83% of those who were receiving a Discretionary Housing Payment had received more than one in the last two years.[229]

Household Support Fund

The Household Support Fund was established in 2021 during the Covid-19 pandemic as an emergency measure to get support to household costs during a time of uncertainty and inflation. As it evolved from the Covid Winter Grant Scheme, it was deliberately vague in design so that councils could use it flexibly to relieve rapidly increasing demand. It was originally meant to last for six months, but was steadily extended and became effectively permanent.[230]

The Household Support Fund was allocated £742 million in 2025/26, but there is no data on what proportion goes to UC claimants as councils are not required to share this in their management information.[231] Evaluation of the previous phase of the scheme showed that 60% of respondents surveyed about use of the Households Support Fund were in receipt of UC.[232]

Local schemes

In addition to council tax support, many local councils offer their own passported schemes for UC and other benefit claimants on a wide array of leisure, cultural, transport or other service discounts. These are provided at the discretion of each council but outside of statutory local welfare which councils administer, such as the Household Support Fund and Discretionary Housing Payments. A significant proportion of UC claimants in some areas may therefore be receiving multiple non-essential free or reduced cost services while paying no or little council tax to the council providing these concessions.

Following Freedom of Information requests submitted to every council in England and Wales, Onward analysis found that the most common type of passported scheme offered were leisure centre concessions, often in the form of a discounted membership card scheme.[233] Some offered free or discounted access to spa facilities, mini-golf, theatre workshops, cinema tickets and beach hut hire. While some of these were provided by Local Authority Trading Companies, for which the council may recoup costs from increased use of facilities, others were provided through paid partnerships with external companies where councils are paying the difference.

It was clear from the many partial or non-responses that the same issues of diffuse responsibility seen with multiple central government departments involved in administering passported benefits was replicated at a local level. Even with the volumes far lower than national schemes, some councils were not coordinating their offers in a way that would flag who was missing out on extra support or who may be drawing a significant amount of council funds.

Example claimants

Below are two illustrative examples of claimants and the passported benefits they would receive. They are intended to show how much those with different household compositions can claim. As explained above, many claimants do not access all of the schemes to which they are eligible for a wide variety of reasons.

These fictional but realistic examples are intended not to cast judgement on those who claim or to give the most extreme possible cases, but to demonstrate how irrational it can be for claimants in specific but normal circumstances to come of UC entirely due to the scale of the additional benefits they would likely lose. Costs are based on the average or specific values relating to their circumstances of these awards as outlined above.

Example 1: Single parent family with three children

Jenny is 38 and lives with her three children aged 2, 8 and 11. She has been on UC since her husband left her and works one day a week around looking after her children. She earns the minimum wage and wants to increase her hours as her youngest has settled into a nursery.

Because she claims UC, two older children receive free school meals and go to a club funded by the Holiday Activities and Food Programme in the school holidays. As they live 2.8 miles from her oldest child's secondary school, they get picked up by a free school bus. She has a Healthy Start card for her youngest and uses the offer of 15 hours of free childcare for children aged two with extra support. During Jenny's divorce earlier this year, her court fees were remitted.

As Jenny has three children, she gets her water bill capped by WaterSure. In the winter, she got a Warm Home Discount rebate and she's also recently switched to a broadband social tariff. She receives full council tax reduction.

This year, she received £11,781 in additional benefits and benefits in-kind outside of her UC claim. If she worked enough to come off UC, she is unlikely *to be able to claim any of these benefits, losing £11,169 in effective income per year (not including her one-off court fee remission).*

	Passported benefits
Free School Meals	£990
Free school transport	£1,495
Holiday Activities and Food Programme	£600
Extra Support Childcare	£5,988
Healthy Start	£221
WaterSure	£325
Warm Home Discount	£150
Broadband social tariff	£200
Court fee remission	£612
Council tax reduction	£1,200
Total	**£11,781**

Example 2: Single man with no children

Ben is 44 and has been claiming UC since struggling to find sustained employment while suffering some ill-health.

He lives in a privately-rented property that has an Energy Performance Certificate rating of E, so he recently had a series of energy efficiency *measures installed through the Energy Company Obligation scheme. He received a Warm Home Discount rebate and a Cold Weather Payment, following a week of especially low temperatures.*

Ben had some routine dental work done earlier in the year. He is also on a water social tariff and a broadband social tariff.

This year, he received £20,588 in additional benefits and benefits in-kind outside of his UC claim. If he worked enough to come off UC, he is unlikely to be able to claim any of these benefits, losing £734 in effective income per year (not including his one-off energy efficiency upgrades and Cold Weather Payment).

	Passported benefits
Free prescriptions	£140
Free dental treatment	£81
Energy Company Obligation	£19,748
Warm Home Discount	£150
Cold Weather Payment	£25
Water social tariff	£244
Broadband social tariff	£200
Total	**£20,588**

Recommendations

This section sets out a principles-based foundation for reform of passported and discretionary welfare. It goes scheme-by-scheme to recommend how each could be consolidated, altered or abolished, alongside internal changes to help the Government regain a grip over the system as a whole. There will be significant winners and losers, just as there are under present fragmented passporting schemes. This radical rationalisation makes these trade-offs as active decisions, rather than leaving them as passive series of unintended consequences.

Principles for reform

1. **Certainty - claimants should know they will be better off in work and working more.**
   This is not a new principle, but a return to the original intent behind UC. The path from welfare to work should be as smooth as possible, with a clear net benefit felt from every extra pound earnt. There should neither be hidden cliff edges along the claimant journey, nor a precipitous fall in effective income when coming off UC altogether. The calculation needed for claimants to see they will be better off should be as easy to understand as possible. It should reward applying for jobs and progressing, not applying to every arm of the state for an extra handout.

2. **Consistency - claimants should face the same household budgeting dynamics as others.** While the first principle regards income, this principle considers costs. The current system creates two separate worlds - one in which claimant households face daily living costs that are dictated by bureaucrat-created schemes, while other households have costs displaced onto them to pay for such schemes. Across a period of significant price changes, many legacy thresholds have remained and uprating decisions have been sporadic at best. Giving claimants an entirely different set of basic living costs to those just beyond benefit eligibility makes that transition into financial independence much more difficult. The budgeting dynamics that claimants experience should as closely resemble those they will face outside the benefit system as possible, allowing them to gradually adjust their outgoings to reflect their circumstances.

3. **Simplicity - only support not possible to target within UC should be delivered elsewhere.** Tying the first two principles together, an award-first approach should be adopted to all government support for this cohort. Additional income replacement deemed necessary for all should be delivered through the standard allowance, that for families with children through the child element or childcare element and so on. If it is not an income-replacement measure, it should not be tied to UC receipt at all. Only exceptional one-off costs should be dealt with separately, but still with a set of rules that interfere with the first two principles as little as possible and encourage claimants to build their own financial resilience through work. By rolling more into UC, support will reach more of those currently missing out rather than prizing those able to navigate the bureaucracy.

1. **Measure income and outgoings in the same dataset.** What gets measured gets managed. The lack of accurate data to show a total net view of household income and costs has warped policy decisions for decades. The fact that the vast majority of passported benefits are not included anywhere in the Family Resources Survey - whose very title indicates that it is meant to give a complete picture of all the resources families have at their disposal - means that resultant poverty metrics give a distorted view of relative need across the income distribution, and distorts the distribution itself. It is imperative that the government holds accurate, up-to-date information on both household income versus expenditure as well contribution versus receipt in a single dataset.

    a. **Rationalise duplication across government-funded income and costs surveys.** Having so many different passported benefit schemes makes it virtually impossible for those responding to the Family Resources Survey to accurately state their total income even if they were asked for this information. The survey is already experiencing falling response rates, which are at least in part due to length and complexity, now taking over an hour to complete the survey on average.[234] Therefore it is not desirable to seek better data on passported schemes by simply adding more questions; existing questions need to be substituted or removed. For starters, the extensive section on food security should be removed, not least as the National Diet and Nutrition Survey already asks more granular questions about food consumption by income and household composition.

    b. **Link data from the Family Resources Survey and the Living Costs and Food Survey.** The Living Costs and Food Survey collects diary-based data on household spending patterns, but no information on claimant status or costs met through benefits in-kind. It too falls victim to a disproportionate focus on food at the expense of drilling into other living costs that drive the ability to afford it. The Family Resources Survey and the Living Costs and Food Survey responses do not directly link, meaning there is no complete picture of income versus outgoings.

While still gathering information on essentials that households may go without, questions should principally seek to uncover the causes rather than fixating on the symptoms of particular missing resources. A detailed review of both surveys in tandem should be conducted, aimed at harmonising responses into a single dataset on household income and expenditure. This should reveal richer data about the budgeting, cashflow and structural deficits that lead to decisions to economise on or not consume some essentials. In turn, more accurate metrics for measuring resources, deprivation and poverty can be developed with this information, and policy adjusted accordingly.

2. **Improve internal data collection, sharing and systems.** Modernisation of the data architecture underlying Government departments is long overdue. Claimants spend vital marginal effort that could be used seeking work filling in endless forms to provide the government with information that it already holds, just not in an accessible place. Bureaucrats fill the void between datasets, existing at the expense of taxpayers simply to pass information to each other. More still is wasted correcting errors, investigating fraud and developing duplicative policy.

   It is perverse that the government is most efficient with sharing personal data across public services after death. The "Tell Us Once" service cascades information through a notification system across DWP, HMRC, local authorities, the Passport Office, the DVLA and more from a single trigger. This approach should be the rule, not the exception, for all changes in circumstance which alter the level of support someone is eligible for.

   The complexity of data collection for this paper's scheme-by-scheme analysis and the assumptions that needed to be made point to the dearth of easily comparable information on billions of Government spending. Without this data, evaluation of passporting policies will remain limited and ministers will continue to make well-intentioned, but suboptimal decisions. A multi stage solution is proposed:

   a. **Use a standard format for collecting management information from schemes.** This should include claimant characteristics, eligible populations, the range of award values and total expenditure. It will help track who is benefitting from different schemes, whether they are competing against each other or incentives to work, if they need re-basing or uprating and the total burden on taxpayers. Where possible, this should be cross checked against external datasets too, like that gathered by credit reference agencies.

b. **Mandate a consumer costs review on departments with passported benefits.** Just as the sufficiency review seeks to uncover downstream costs, this looks at what can be done upstream. Every Government department responsible for administering or owning regulation for a passported scheme must produce a consumer cost reduction plan. This should set out all of the policies that contribute to essential household costs. Each department must identify supply side measures to reduce households costs up to the equivalent of the average cost of the passported subsidy.

   There can be some horse-trading between departments as to who bears the responsibility for costs, such as the Department for Education asking the Department for the Environment, Food and Rural Affairs to address food to meet the requirement for free school meals. But the key is that measures identified are specific, costs are realistic and changes are deliverable.

   It sets out a clear deregulation-first, business tax-reduction approach to reducing living costs for everyone. The higher the subsidy, the harder officials will have to work to peel back layers of bureaucracy they have created that are causing living costs to be so expensive. The department will only cease to be subject to the review once changes that deliver household savings equivalent to the average value of the subsidy to claimants have been identified.

c. **Implement a federated data system across public services.** In the longer term, the only sensible way to manage data from schemes is to develop a proper federated data system across public service policy departments. Systems like this have started to be used in the NHS and in some local authorities, but their true potential can only be reached through wider adoption to link data across services. This will both give the Government better visibility over its policy decision as well as a wider range of policy choices. At once, it allows micro-targeting to specific cohorts and reduces the need for additional schemes at all by getting more help to all those intended in the first instance.

A cross-government public service federated data platform could take this a step further, bridging the gap to those who are most in need of support but have the least capacity to seek help and therefore fall through the cracks of fragmented passported schemes. In an instant, information about households and individuals can be retrieved, need isolated and support delivered as appropriate. It would revolutionise the way that policy is designed, starting from a point of maximised reach rather than duplicating for the same essential purpose.

d. **Develop a benefit calculator that shows participation and marginal effective tax rates including passported benefits.** It is a sign of just how fragmented passported benefits schemes are that the Government does not maintain its own public-facing benefits calculator showing all passported benefits on GOV.UK. Bizarrely, the Money and Pensions Service, which is a government-funded non-departmental public body sponsored by the DWP, does have a reasonably comprehensive benefits calculator including several passported benefits schemes on its MoneyHelper site, but this is not embedded or signposted on the relevant GOV.UK benefits calculators page.[235]

   External benefits calculators integrate some passported benefits and show whether claimants are better off working more, but none are exhaustive, showing income thresholds at which eligibility is withdrawn. It is the Government's responsibility to make the consequences of its policy decisions clear so that claimants can make informed decisions about their lives. Claimants should not effectively have to carry out their own econometric modelling to understand what the best choice is.

3. **Roll regular passported benefits into UC awards.** Any passported benefit scheme that provides regular effective income-replacement to subsidise living costs should be consolidated into the relevant UC element. Known as the cashing-up approach, it provides far more flexibility for households to make their own decisions about where to spend or save rather than artificially skewing them towards decisions that may not be in their particular best interests. This delivers on the original intent behind UC: to make it a payment that covers all essential daily living costs. With the final end of migration from legacy benefits to UC within reach, now is the opportune moment to prepare a redesign within UC.

   Radical consolidation would put levers determining all regular income replacement in the hands of the Secretary of State for Work and Pensions so that rates can be varied to reflect labour market and fiscal conditions in a single stroke rather than waiting years for individual policies to be reviewed while suffering the unintended consequences in DWP budgets. It also smoothes the path into employment by removing the arbitrary, lagging income thresholds at which support is suddenly withdrawn and avoids a large cliff-edge at the end of UC entitlement by tapering off proportionally.

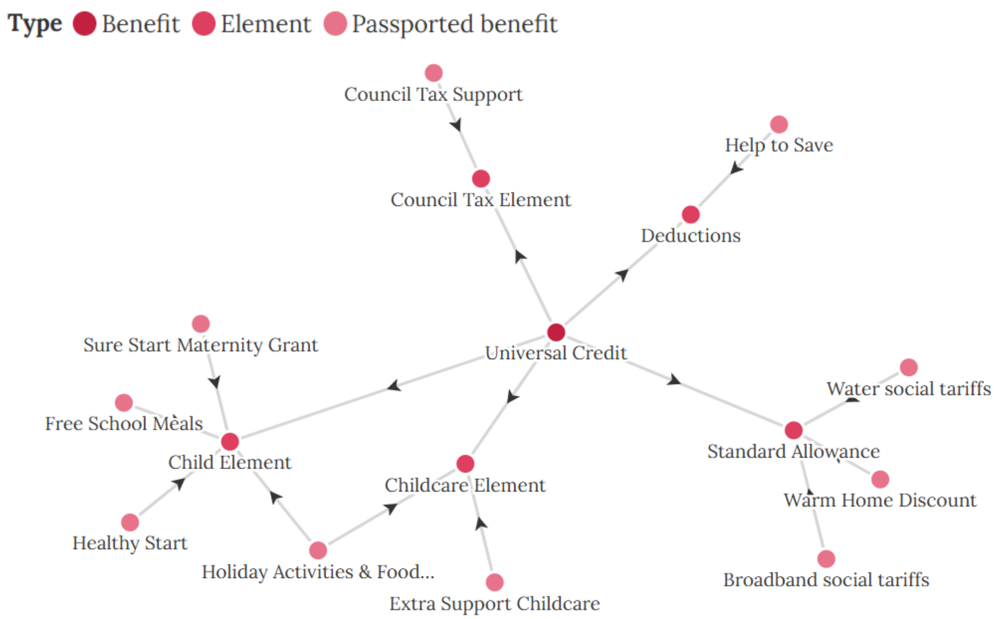
   Likewise, the government should review how the impact of adding to any elements affects those hitting the benefit cap. There are widespread exemptions to the cap which need separate attention and there will be changes this year in numbers reaching the cap after the lifting the two child limit. The government should review these policies in the round alongside the sufficiency review to assess additional incentives there should be for those with high awards to seek work or move to less expensive areas.

   a. **Review the sufficiency of UC elements.** When UC rates were first set, there was no process to determine at what level they should be set and why. They largely carried over the nearest equivalent legacy benefit rate. Since then, there have been various calls to implement a form of Minimum Income Standard which sets out the minimum socially acceptable standard of living which benefit rates should reflect. However, due to the lack of proper accounting for what claimants actually pay for at the moment when passported benefits are included, these standards have set the wrong baseline for effective income.

With the new dataset proposed, the government can make a comprehensive assessment of the sufficiency of UC payments, passported benefits, earned income and discretionary support. This can provide the basis of where any scheme funding may need to be distributed if passported benefits are consolidated into core benefit payments. To make this credible, the Government first needs to understand what rates currently cover that would need to be paid out of pocket by claimants if passported schemes no longer existed.

Figure 12 - Consolidation of passported benefits into UC elements

Source: Onward analysis



b. **Consolidate free school meals and the food component of the Holiday Activities and Food Programme into the UC child element, and abolish the extended right to free home-school-transport.** These two separate schemes create an uneven effective subsidy through the year, with periods where parents are able to access neither during parts of the school holidays. By consolidating into the child element as cash rather than an in-kind benefit, parents will have consistent income through the year to cover this cost.

Typical per day funding for HAF commissioned by local authorities is £5-7 across six weeks, so evening this out over the full 13 week school holiday is not dissimilar to the free school meals implied per-meal value of £2.61. As there is no up to date data on what proportion of eligible children are attending HAF and for how many days per school holiday, it is not possible to quantify the amount that would be needed to effectively cover full free school meals taken-up during the holidays. Funding for the activities element is dealt with below.

Given the Universal Infant Free School Meals policy, short of bringing this into means-testing too, the rate should simply be varied by age of child to apply a lower rate for infants equivalent to the HAF value only. Evaluation of the policy in England suggests that spending on food fell by about £230 a year, compared with a cost of £437 for a year's worth of meals.[236] This indicates that families were likely able to increase the quantity or quality of food at home, but it could also point to not all the free school food being consumed. With the same value in cash, parents could have instead chosen food their infant would eat, nutritionally balanced against other meals in the day. Non-passported benefits were beyond the scope of this review, but this and the new free school breakfasts policy should urgently be evaluated to compare against a means-tested, fully fungible system as outlined here.

With the expansion of free school meals to all children in families on UC next year, there is an opportunity to rethink the necessity of passporting free home-to-school transport to this cohort at all. The total cost of home-to-school transport is already bankrupting councils, while taking little account of widely variable real-world routes to and from school. There is an urgent need to address eligibility for SEND transport and costs, which may come in the wider review of SEND provision this year, but this is beyond the scope of this paper.

The UC child element is already designed to cover costs associated with raising children. With neither Scotland nor Wales implementing an equivalent policy, despite longer average journeys to school, there is no inherent justification to keep this policy in England. The general duty to provide the extended right should be removed in favour of discretionary assistance by exception for this cohort. The universal rules providing free school transport from three miles and above would remain.

Non-claimant families make difficult compromises about where to live to get their children to school, many of whom may be working much longer hours and therefore less able to take their children themselves. Claimant families should face the same set of basic choices, moving if they cannot reasonably afford their travel costs or want to choose a school that is not in the top three closest.

c. **Consolidate the Sure Start Maternity Grant and Healthy Start into the UC child element for 0-4 year olds**. The Sure Start Maternity Grant and Healthy Start are both effectively fully fungible income top-ups with no evidence of health-based benefits. Parents are already using Healthy Start cards to more generally cover food and supplies for their children outside the rules of the scheme. It is possible to tie both these policies into the child element if desired, adding existing rates to age and number of children or more generally frontloading awards by age.

   Additional awards pre-birth could even be included, for example, by a valid Maternity Exemption certificate confirming pregnancy triggering payment of the UC child element in the final one or two assessment periods before birth if there are no other children in the household. While Maternity Exemption certificates do not currently state whether a multiple birth is expected, this simple field could be added and confirmed at the 12-week scan. First, there is a need to properly evaluate whether either scheme is delivering better outcomes for parents and children alike to understand the right level of support at different early years stages.

d. **Consolidate the activities component of the Holiday Activities and Food Programme and the childcare hours for extra support offer two year olds into the UC childcare element**. Given how low HAF take-up is, especially among secondary school age pupils, it is clear that the present offer is not appealing or readily available enough to eligible children. The activities element of the programme is effectively childcare by another name. UC claimants already have a reimbursement mechanism to claim back up to 85% of childcare costs from registered providers.

Only holiday childcare clubs for those under eight years old currently have to be Ofsted registered. The Department for Education should review the regulations determining what type of providers can become registered childcare providers to provide flexibility for more holiday clubs to be included up to the usual caps to avoid abuse from claims for excessively expensive activities. Claimants can pay for consumables like meals in the same way as other families, paying with the cash provided in their child element.

Likewise, take-up and attendance from those receiving the extra support offer at age two is low. To capture the disadvantaged two year olds offer within UC, the government should consider expanding eligibility for the UC childcare element to those in the conditionality regime of "Preparing for Work". This could be limited to those in that regime who have a child aged two in their household to prevent those in the regime for other reasons using the offer. Parents on UC with children aged two are automatically placed in this conditionality regime and only required to undertake minimal work-related activities, such as writing a CV or undertake some training.

This change helps to tie receipt of subsidised childcare to at least some form of work-related activity. Parental worklessness in the long term is widely acknowledged as one of the most significant factors in long term life chances.[237] Asking parents to meet a small proportion of the cost through the UC childcare element like other working families and take minor steps towards working is a reasonable expectation. In addition, there being at least some financial cost to parents may help to reduce non-attendance rates and make it less confusing having to separate out which hours are billed for which purpose.

e. **Consolidate the Vulnerable Students Bursary into the Discretionary Bursary part of the 16-19 Bursary Fund.** While it may be better in terms of direct tie to education based-costs that the EMA predecessor scheme, the passported Vulnerable Students Bursary still does not fundamentally change the incentive to claim rather find part time work or work-based training while in non-advanced education, which has been proven to damage long-term outcomes.

   Those between 16 and 17 who are unable to live with their parents are already given special dispensation to claim UC, paid at the under 25s rate of standard allowance. The standard allowance is designed to pay for essential living costs, with care leavers already paid the over 25s adult rate of UC and other normal elements available to those with children or health conditions. There is no substantive reason to expect that living expenses are considerably higher for those learning rather than working in that age bracket, with those working expected to pay for their own travel, work clothing, food and so on.

   Education providers can still provide support on a case-by-case basis to those on low incomes through the Discretionary Bursary. Crucially providers are allowed to apply conditions to these bursaries, such as attendance, meaningful engagement and behaviour standards. This means that unlike for the Vulnerable Students Bursary, claimants cannot apply for funding based on the first few weeks' expenses, receive the bursary and then disengage from learning.

f. **Abolish the Warm Home Discount, with any necessary income-replacement met by UC.** The radical potential of removing policy-imposed costs from energy bills is being seen this April with the annual average energy bill expected to drop considerably. Measures to remove any link to property or household composition from this year now make the Warm Home Discount rebate a blunt income-replacement measure, delivered at an arbitrary one-off point each year, usually well into winter.

If the Government deems that energy bills as part of daily living costs are not sufficiently accounted for in UC then it should change the rates accordingly (principally through the standard allowance or through the child element if it wanted to account for likely larger properties). If it wants energy suppliers to contribute to this cost, then it should make the conscious choice to levy them and be upfront about the consequences for bills.

Any necessary income replacement would provide a smoother effective bill reduction, meaning that there is less incentive to avoid turning on the heating when it might be necessary or else falling into debt in the run up to Christmas while waiting for the rebate to appear. If companies wish to offer lower energy rates to avoid customer arrears, these should be offered on the open market, encouraging competition which all can benefit from.

g. **Abolish income-related WaterSure and mandatory water social tariffs, with specific medical needs met by PIP and any necessary income-replacement by UC.** WaterSure has been directly working against the two-child limit, unchecked for years. With the limit lifting this April, there is even less rationale for keeping this policy in place at the expense of other bill-payers. With water bills due to soar over the next few years due to Government-imposed changes, it is all the more imperative that as many extra costs as possible are removed in the interests of all consumers.

PIP is explicitly supposed to cover the extra day-to-day costs associated with long term health conditions. If severe enough to affect washing, bathing, managing the toilet or other functions, all of the medical conditions listed under WaterSure would qualify. If PIP descriptors are not adequately reflecting these costs, then that is a matter for PIP reform, rather than a duty that should be imposed on water companies.

If current or expected rises in water bills are deemed to have a sufficient impact on essential living costs for those on UC, then this should be reflected in UC awards, not elsewhere (in the standard allowance for adults in the household and the child element for children). And if the Government wants water companies to meet some of this cost despite the current state of the market then it should levy them accordingly rather than involve them in benefit delivery in such a piecemeal way. Suppliers could still target their own schemes at specific customers if they wished and would still need to provide Ofwat regulated debt support.

h. **End shadow-regulation for broadband social tariffs, with any necessary income-replacement met by UC.** Passported broadband social tariffs may not be formally regulated in the same way as water or energy companies, but there has long been a veiled threat to suppliers that if they did not boost their social tariff offer, they would face intervention from Ofcom.[238] However, it is clear that social tariffs are lulling claimants into the false perception that they do not need to switch tariffs to get the best deals like everyone else. It also encourages purchasing packages beyond what smaller households may need, for whom a 4g or 5g hotspot may be adequate.

   In the same way as for the other utilities where regulation for social tariffs is proposed to be abolished, there should be an explicit shift away from this effective mandation, instead meeting any necessary additional income-replacement through UC.

i. **Abolish local council tax reduction schemes and create an additional Council Tax element in UC**. Council tax is widely regarded as one of most regressive taxes in the UK, drawing on property values from 35 years ago.[239] Wider options for reforming council tax itself are beyond the scope of this analysis, but it should be noted that a significant restructure of local government is currently underway, including merging councils into unitary authorities and imposing full council tax grant equalisation which will hit councils with historically low council tax the hardest.

As with the other household bills in this proposal, council tax reduction should likewise be consolidated into UC awards to avoid the present double-taper effect. The Institute for Fiscal Studies estimates that integrating council tax support into UC would mean that practically no workers faced marginal effective tax rates of over 75%. While this modelling does not account for other passported benefits, it still shows that consolidation would be a hugely significant step forward for work incentives.[240]

As the archaic banding system for setting council tax is not reflected in any existing UC elements, a new element is proposed, which could be capped at Band B or C properties in each council area. A Band C cap would usually include modest two to three bedroom family homes, a Band B cap would typically cover one to two bedroom properties, but there is wide variation across the country. The latter would have a stronger effect on those in more expensive properties moving to other areas if they could not afford the total rent and council tax liability, but could also tip some councils in mass arrears. To lessen any initial income shock for those suddenly outside of support, a Band C may be preferable during current reorganisations, with a view to overhauling council tax in the round.

j. **Abolish Help to Save and add a sidecar savings deduction to the UC deductions mechanism.** Building up financial resilience through savings is vital to avoiding the need for crisis support, but Help to Save is creating perverse incentives. UC is meant to cover essential living costs, not enable a significantly more generous financial booster than any savings account in the private market. Incentivising claimants not to pay down their debts in the first instance to avoid interest accruing is potentially embedding damaging habits that will lessen their resilience in the long term.

Instead, the government should allow working UC claimants to have part of their claim deducted into a sidecar savings account. Similar to credit unions still run by some large employers, sidecar savings schemes (also known as rainy-day or "jars" schemes) are savings accounts where small deductions are taken each month from payroll or bank accounts to be set aside into a liquid and a long-term jar. Contributions first go into the liquid jar up to a cap, before rolling over into the long term jar. The liquid jar is easily accessible without penalty for unexpected expenses, whereas the long-term jar has more friction and penalties for withdrawing early, like loss of interest.

The Department for Work and Pensions has already sponsored work on this type of scheme, including through NEST Insight, which ran several trials exploring payroll-based deductions and tested opt-out versus opt-in mechanisms.[241] Employers including Timpson, BT, ITV, StepChange and the Co-op took part.

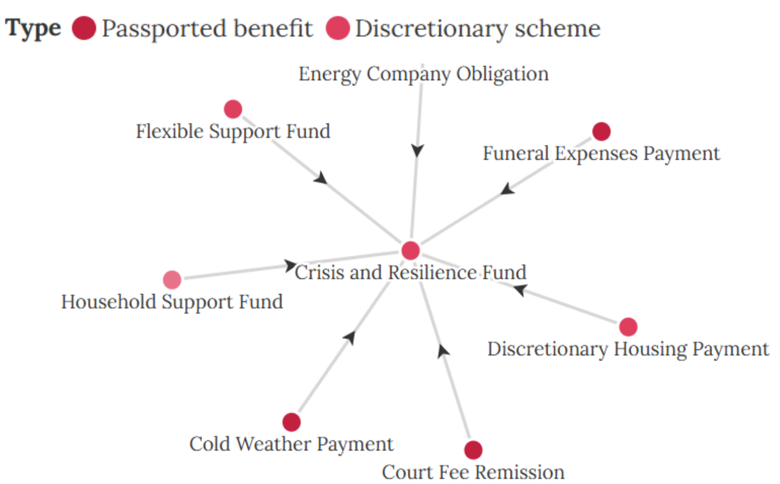
To make sure that those in unstable work or not in work also build up savings habits are included in a scheme, while not encouraging debt, sidecar savings should be added to the UC deductions priority order. The deduction priority order determines in what order deductions can be taken from a UC award to pay off debts, including UC advance payments, bill arrears, child maintenance payments and fines. The amount is capped at 15% of the standard allowance for those going to third parties and no more than three separate deductions are made at the same time.[242]

A sidecar savings deduction should be added to the bottom of the deductions priority order, so that those with low or no debts have a small portion of their award automatically put into jars for a rainy day. By embedding this within the existing deductions regime, those who have existing debts will effectively not be eligible, so there is no artificial reward for delaying repayments. It far better simulates real-world savings habits while not leaving it up to chance as to whether a claimant's employer runs a scheme.

4. **Consolidate or harmonise schemes for unforeseen or unavoidable costs.** Eligibility for help with isolated costs for those on low incomes should follow a basic set of rules controlled by the Secretary of State for Work & Pensions. It is not possible to roll these all together in the same way as for UC as they have complex additional eligibility criteria, but there are ways to rationalise how support is allocated, taking a household budget and cashflow approach rather than treating a single symptom of financial distress.

   There should be a common framework for determining when a household's disposable income or gross income is considered insufficient to meet an unexpected cost, rather than multiple different ways to test this. Assessments of income should always look at the total income including benefits, not just earned income. It should also include whether someone could reasonably have been expected to take their own steps to avoid incurring an expense they cannot meet in the first place or expect that they reduce their outgoings to meet the expense in the longer term through a loan or advance.

Figure 13 - Consolidation of passported benefits and discretionary schemes into the Crisis and Resilience Fund



a. **Consolidate the Flexible Support Fund and other local welfare schemes into the Crisis and Resilience Fund.** With the merger of Discretionary Housing Payments and the Household support fund, the Flexible Support Fund has been left an outlier. Funding for work-seeking purposes that someone would otherwise be unable to meet has a clear link to promoting long term financial resilience. Rolling this type of expense in will help put focus on work as a way of avoiding crisis for all those seeking to draw from the Crisis and Resilience Fund. It could still be used by Jobcentres too, through a partnership arrangement with councils.

   More generally with the discretionary schemes, there will always be an efficiency case for retaining some ability to quickly give out petty cash in certain circumstances without needing to undertake a full assessment of means to pay, but this should not be unlimited. To give a sense of fairness to council taxpayers, an annual household cap could be set at the annual council tax rate for an average Band D property in the area. This should incentivise using funds to avoid recurring claims, focussing on helping those claiming become financially independent. Councils would still be allowed to assess income for lower payment amounts as appropriate depending on the claim.

   Councils should also rationalise other local welfare-based offers into the Crisis and Resilience Fund for items like school uniform or bulky waste collection charges. For leisure and other activities, they should only automatically passport eligibility to services that are net-neutral or -negative in cost to council taxpayers. For example, if half price swimming pool access is offered to claimants and this still meets the unit cost of providing the service or it drives up use of the pool sufficiently to cover costs, this would be net-neutral. In some areas, this may require renegotiating concessions structures with Local Authority Trading Companies.

   Private companies can use their own discretion to passport eligibility to claimants and these can be listed on the council's website, but they should offset the cost to other customers themselves rather than be subsidised by council taxpayers.

b. **Consolidate the Funeral Expenses Payment and Court Fee Remission into the Crisis and Resilience Fund.** Alongside their duties to provide Public Health funerals, Funeral Expense Payments should move back to local level, with accompanying regulation to mandate the current minimum standards of provision. The average cost of a Public Health funeral is almost identical to the average cost of the Funeral Expense Payment.[243]

   If fewer people default into needing a Public Health funeral due to being ineligible for the Funeral Expense Payment from the rigid relationship hierarchy, then a more dignified send off could be provided to some at no inherent additional cost. Routing this support through the Crisis and Resilience Fund could help to ensure that those experiencing a sudden change in circumstances due to the loss are better signposted to local support and discretionary funding if they need it.

c. **Abolish the Warm Home Discount "Industry Initiatives" and the Energy Company Obligation, and consolidate the Warm Homes offer and the Cold Weather Payment into the Crisis and Resilience Fund.** The awkward "Industry Initiatives" part of the Warm Home Discount is largely needless duplication of other energy efficiency-focussed schemes, including the Energy Company Obligation. Rather than replace the Energy Company Obligation with another supplier-funded scheme, it should be consolidated into the Crisis and Resilience Fund.

   Installing energy efficiency measures meets the aim of providing longer term financial resilience to claimants by permanently lowering their bills. The low-income scheme within the Warm Homes Plan should be folded into this fund too, creating a single scheme for applying for energy efficiency improvement funding. This means that when people present to the Crisis and Resilience Fund due to problems paying their energy bills, rather than just offer a temporary cash solution, they can immediately be offered a more sustainable solution. Likewise, Cold Weather Payments should also be added to this pot, incentivising those in areas with repeated triggers to take permanent steps to keep their homes warmer.

d. **Use the same income test for Legal Aid and court fee remission as for other one-off costs.** It has been over five years since the legal aid means test review commenced, but some measures have still not been implemented. There are a number of reasons why it is necessary to keep Legal Aid separate from other one-off cost support schemes like the Crisis and Resilience Fund, not least because a significant number of cases brought by claimants are likely to be against the local authority itself, causing a conflict of interest. However, income testing could still use the same assessment of disposable and total income as for other one-off costs in the Crisis and Resilience Fund.

e. **Consider abolishing prescription charges.** Prescription charge exemptions are near universal. Any policy for which 96% of the time it does not apply is not the policy at all - it is the exception. The income threshold leaves those on UC trying to work while managing health conditions but who fall outside medical exemption categories facing some months with and some months without charges.

   Unlike other passporting benefits, there is no obvious UC gateway for including these costs in awards when the cost falls so unevenly on different claimants. Consolidating it into the UC health element would not be desirable when a claimant may face a limited period of high prescription incidence but this does not affect their capability for work.

   Rather than seek to tinker further with the exemptions list, the Government should consider simply abolishing prescription charges altogether, as is the policy in Wales and Scotland. This comes with a high notional cost of around £500 million. However, evidence from organisations including the Royal Pharmaceutical Society, the Nuffield Trust and the Kings Fund all point to this cost being at least partially offset by lower downstream health costs. It could also be used to spur wider behavioural change in how the NHS is used if coupled with other systems shifts like greater use of prescribing pharmacists rather than taking up GP appointments. This will need attention beyond the scope of this paper, alongside the rest of the Help with Health Costs schemes.

5. **Lower the UC taper to 50%.** The high proportion of people on UC with no work requirements is a sign of both how relatively more generous incapacity benefits and PIP are, but also how punitive UC is for those in work. When factoring in the passported benefits that people then lose as they earn more, it becomes very difficult to calculate from month to month whether claimants are better off working more. The conclusion for many is that it is simply not worth the risk trying to work if the path to progression is unclear at best, even if in reality there may be income tests to retain support for those not on benefits.

   The lower the taper, the lower the marginal effective tax rate and the stronger the incentive to steadily increase hours or seek higher pay, slowly moving off benefits. The tax system, which treats people as individuals rather than households like the benefits system, will always be difficult to harmonise entirely with benefits in order to totally smooth incentives once the income tax and National Insurance threshold kicks in at £12,500. Lowering the taper rate is nevertheless the best lever to set the baseline from which any additional deductions are then made.

   Lowering the taper is expensive, as it takes longer for benefit awards to reduce to £0. When the work allowance was raised to £500 and the taper was cut from 63% to 55% following the autumn Budget in 2021, it was estimated to cost just under £3 billion by 2026/27.[244] Previous analysis by the Centre for Policy Studies in 2018 estimated a cost of £362 million per 1p reduction in the taper alone, giving a cost of £1.8 billion for a 5p cut.[245] The caseload, case mix and rates of UC have changed considerably since then, but this is still a desirable policy to pursue.

   Given the scale of the other changes proposed, there is no current model that can simulate the impact of these changes taken together. As this report sets out, those coming off the taper have always faced a hidden cliff-edge from passported benefits withdrawal at the end of their claim or midway along the taper, making it far riskier to increase working hours or pay.

Claimants earning above the income tax and National Insurance personal allowance will still face marginal effective tax rates of more than 50%. Short of redesigning the tax system to treat people as households rather than individuals for tax purposes or hugely raising the personal allowance, there is no easy way to reconcile this. Cutting the taper at least lessens the impact of the deductions stacking. If the fiscal position allows after the sufficiency and policy costs review, then this is a cost worth bearing to fundamentally reset incentives.

Conclusion

Universal Credit was intended to reshape the relationship between the individual and the welfare system. It was built on the right principles, to streamline support into a smooth path in which work would always pay. Since then, the vision has been pulled off course by paternalism and perverse incentives. Schemes are continuing to expand and fragment further away from the main levers of control over welfare spending. A strategy to tackle poverty and end worklessness is impossible to deliver when policy implementation has become so diffuse.

Most people will be familiar with at least a couple flagship passported benefit schemes outlined in this paper. They are popular with the public and irresistible to politicians looking for positive news. Few will have been aware of their full extent. While on their own, schemes look well-meaning and harmless, together they push against the human instinct to work hard for a better life. When the cumulative result is that claimants cannot trust that working more will make them better off or are left unaware of support at all, this is not compassion, it is a trap.

Exposing a welfare system that effectively spends £10 billion more than headline figures suggest should be a wake-up call to those running it. With the end of legacy benefits in sight, the moment to start preparing for a hard reset must not be missed. The radical rationalisation set out in this paper offers a route back to the original promise: a single intelligible system in which people can see what they are entitled to, understand the gains from work, and plan their own lives without fear of hidden cliff edges.

The core recommendation is to regain control over income-replacement by consolidating multiple passported benefits into different parts of UC. It also outlines a more consistent approach to help those in crisis to build back their financial resilience. And the potential savings offer the opportunity to reduce the penalty that working claimants face that undermine progression towards financial independence from benefits. These changes should be matched by stronger work incentives with a lower UC taper to reduce the effective marginal deduction rates that currently undermine progression.

Ultimately, the public can only hold ministers and parliamentarians accountable for a system they can understand. That is why rationalisation must be accompanied by transparency: a single view of cumulative entitlements; routine publication of cross-government impacts; and a new way to measure income and outgoing. It will take courage and discipline to avoid the lure back to obfuscation. The prize is a welfare state that is cheaper to administer, simpler to explain - and most importantly - easier for claimants to leave behind.

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