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BATH

Cliff edges and precipitous inclines

The interaction between Universal Credit and
additional means-tested help for working claimants

IPR Research Report

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Summary

Drawing on the findings from our wider qualitative longitudinal research study exploring the experience of working claimants on Universal Credit (UC),¹ we explore the interaction between UC, earnings, ‘passported’ benefits and other means-tested help.

Passported benefits and means-tested help

Passported benefits and other means-tested help are income-based forms of financial and in-kind support with essential living costs delivered by a range of government departments, local authorities and utility providers, to which UC claimants (together with legacy benefit recipients and other targeted groups) may be entitled, depending on their circumstances. The support is typically provided in the form of reductions, concessions or discounts in charges, or in-kind help – such as vouchers – but cash benefits may also be paid.

Eligibility criteria, application processes and income thresholds are the responsibility of the particular government department, devolved administration, local council or utility company that owns and administers the different schemes. Better-known examples include council tax reduction (CTR) schemes, free school meals and free prescriptions, but there are many lesser-known schemes, including healthy food vouchers for new mothers and reduced (or social) tariffs on utility bills. The devolved governments of Scotland and Wales operate a further set of means-tested benefits and grants. Though the thresholds differ, the support is reduced or ended entirely, as it is for UC, in circumstances where household earnings rise above a certain level.

Policy context

Passported benefits and means-tested help outside of the main working-age benefits are of increasing policy interest due to their key role in supporting the incomes of households with low or no earnings. However, also important to consider is the impact these schemes can have on work incentives and Universal Credit’s endeavour to ‘make work pay’.

¹ Funded by abrdn Financial Fairness Trust, the research, entitled: ‘Coping and hoping: Navigating the ups and downs of monthly assessment in Universal Credit’ tracked month-to-month changes in earnings and household income, in real time, between February 2022 and March 2023, with a sample of 61 Universal Credit claimants in 42 working households, with and without children, in England, Scotland and Wales. <https://www.bath.ac.uk/publications/coping-and-hoping-navigating-the-ups-and-downs-of-monthly-assessment-in-universal-credit/>

Marginal effective tax rates and cliff edges

When assessing the interaction between earnings and means-tested help, there is an important distinction to be made between policies and benefits that increase the ‘marginal effective tax rate’ (METR) – where an increase in income results in a gradual reduction in entitlement – and ‘cliff edges’ – where an increase in income results in loss of entitlement altogether. Both high METRs and cliff edges can reduce work incentives. However, cliff edges can be particularly detrimental because the additional net earnings from working more may actually be worth less than the value of entitlements lost, potentially leaving people financially worse off.

UC’s *single taper* – which currently reduces entitlement by 55p for each £ of additional net earnings – and *work allowance* – which enables some claimants to earn a certain amount before the taper is applied – are intended to reduce METRs and cushion the blow of cliff edges. When UC was rolled out in 2013, all UC claimants were entitled to a work allowance. However, since 2015, only families with dependent children and people assessed as having limited capability for work are entitled to a work allowance. High METRs, resulting in the loss of 60-70p or more for each £ of additional earnings, can also still affect working claimants through loss of entitlement to council tax reduction, which is withdrawn simultaneously and in addition to tapered entitlement to UC. Significant cliff edges and high rates of withdrawal as earnings rise therefore continue to affect large numbers of UC claimants.

Changes to the Administrative Earnings Threshold (AET) and UC work conditionality regime

The interaction between Universal Credit and entitlement for other sources of means-tested help matters all the more due to recent reforms to the conditionality regime, including an increase in the Administrative Earnings Threshold (AET).² The AET is a monthly household earnings threshold that determines whether claimants are placed in the Intensive Work Search (IWS) regime or the Light Touch (LT) regime, in which work conditionality is eased. Because the AET is much higher than the income thresholds which currently apply to the different means-tested schemes, claimants who increase their hours or earnings to meet the new conditionality rules could find themselves financially worse off.

² In May 2024, the Administrative Earnings Threshold (AET) was increased to £892 per monthly assessment period for single claimants and to £1,437 per assessment period for couples. This is equivalent to an individual working approximately 18 hours per week or couples working around 29 hours per week between them – approximately double the number of hours that were required in 2022.

Key findings

- For working people with low earnings and low hourly rates of pay struggling to afford the rising costs of housing, utility bills and food, any extra help they can get to top up their income from earnings and UC payments could often be a lifeline, acting as a vital safety net.
- In the absence of a substantial rise in benefit levels and/or wage rates, sources of means-tested help that sit outside Universal Credit are likely to continue playing a crucial role in supporting the living standards of working individuals and families for the foreseeable future.
- While all participants had levels of earnings low enough to entitle them to Universal Credit, only in rare instances (such as the Government’s Cost of Living payments) did UC receipt, of itself, automatically qualify them for help.
- Many working claimants were ineligible for support due to the very low earnings thresholds which applied to most of the schemes. Others had variable earnings which meant they dipped in and out of eligibility from one month to the next. Some were unaware that additional help was available. Others were put off from applying because they had insufficient time; application processes could be onerous and time-consuming.
- The patchwork of independently administered, often discretionary, schemes has grown with little coherence or strategic overview. It is generally left to the designated government department, devolved administration, local council or utility provider to raise awareness of their schemes and to determine how much help any particular applicant, in any particular year, may get.
- Whether people knew about, were entitled to, able to apply for and successfully awarded any help was a hit-and-miss lottery of postcodes, personal circumstances and happenstance.
- Separate entitlement rules, earnings thresholds and application procedures add complexity to the social security landscape, creating barriers to access and administrative burdens for claimants, and countering UC’s goal of simplification. The schemes can also be complex and costly for administering authorities to deliver, particularly when people’s earnings are subject to frequent change.
- Different income thresholds attaching to the different schemes undermine the policy rationale of having a single taper rate in UC as earnings rise, making it hard for claimants to calculate or reliably estimate the financial impact that working longer and earning more will have. Fluctuating earnings and monthly assessment in UC, in which entitlement can vary from month to month, compounds this difficulty.

- Much-needed sources of cash and in-kind help that reduced or were withdrawn, sometimes simultaneously, when earnings increased or rose above a certain level, left some people worse off, countering UC's goal of 'making work pay.'
- Loss of entitlement to council tax support when monthly earnings increased, even by just a few pounds, meant some participants were financially worse off by working more, contributing to arrears and debts, both of council tax and more widely.
- The uncertainty and potential reduction in household income that loss of entitlement to means-tested help outside of UC can cause influenced the decisions some claimants made about whether, when, and how much, to work and earn.
- To avoid the loss of income, some of those whose UC conditionality requirements did not oblige them to work, meet the AET or earn more, reduced their hours of work or withdrew from the labour market altogether.

What can be done?

Conduct a review of passported benefits and means-tested help that sit outside the main working-age benefits, exploring the interaction with UC and effects on work incentives

The last independent review of passported benefits was conducted more than a decade ago by the Social Security Advisory Committee (SSAC), prior to the introduction of UC, and did not include council tax reduction (CTR) schemes, the effects of monthly assessment in UC or the impact on work incentives. These gaps need to be addressed. The recent intensification of work conditionality, obliging UC claimants to earn more as a requirement of benefit receipt, should also be included as part of any review.

Simplify and standardise entitlement rules, increase earnings thresholds and uprate entitlements to better support work incentives

There is a need to simplify and streamline eligibility and application rules to increase take-up by reducing complexity and with a view to more explicitly supporting work incentives. The different means tests need to be better aligned and the low and variable earning thresholds applying to the different schemes need to be increased. Fairer and more consistent methods are also needed for withdrawing support as earnings rise. Consideration should be given to abolishing earnings limits for certain schemes, such as those targeted on families with young children, as has been done in Scotland.

To ensure entitlements keep pace with rising costs, a system of annual uprating pegged to inflation or another agreed metric needs to be introduced. Reducing the UC taper, increasing work allowances and reinstating work allowances for all UC claimants would also help to compensate for the loss of entitlement to other means-tested help as people move into work and earnings rise.

Reduce the income volatility and work disincentives caused by council tax reduction schemes

Given their capacity to affect in-work incomes both for the better and the worse, council tax reduction schemes warrant particular scrutiny. CTR schemes are the responsibility of each local authority. As such, the design of the schemes, including the amount of reduction in council tax to which low-income people may be entitled, and the extent to which their liability varies with changes in earnings, is something of a postcode lottery. Efforts should be made to reduce this variability. Councils should also be encouraged to review their administrative procedures, eligibility criteria and earnings thresholds to increase take up and to mitigate the effects of income volatility and the rapid loss of entitlement when monthly earnings rise or fluctuate. Longer term, integrating council tax reduction into UC would, according to the Institute for Fiscal Studies (IFS), mean practically no workers facing a METR above 75 per cent.³

Extend entitlement to free school meals to a wider group of UC claimants

Entitlement for free school meals for new applicants is currently restricted to families with household earnings below £7,400 per annum, significantly under the current AET. In the context of the Government's new strategy to reduce child poverty,⁴ this threshold needs to rise. Without an increase, parents currently in receipt of free school meals, whose household earnings are above the current limit, will lose their entitlement when transitional protection ends on 31 March 2025, or the point the child finishes their current phase of education.

According to the IFS,⁵ expanding eligibility to all state school primary pupils would cost around £1 billion a year, about the same as it would cost to offer free school meals to all state school pupils, primary and secondary, whose families claim UC. A less expensive option would be to increase the

3 Ray-Chaudhuri, S. and Waters, T. (2024). Universal Credit: incomes, incentives and the remaining roll-out, p.4. The Institute for Fiscal Studies. <https://ifs.org.uk/sites/default/files/2024-06/Universal-Credit-Income-incentives-and-remaining-rollout-Institutue-for-Fiscal-Studies-Report.pdf>

4 <https://www.gov.uk/government/news/ministerial-taskforce-launched-to-kickstart-work-on-child-poverty-strategy>

5 Cribb, J. et al. (2023). The policy menu for school lunches: options and trade-offs in expanding free school meals in England. The Institute for Fiscal Studies. <https://ifs.org.uk/sites/default/files/2023-03/The-policy-menu-for-school-lunches-options-and-trade-offs-in-expanding-free-school-meals-in-England.pdf>

household earnings threshold. Raising the threshold to £20,000 a year⁶ would cost around £425 million a year but bring about 900,000 more children into eligibility. This would mean that around two-thirds of children whose families get UC would qualify for free school meals.

Extend social tariffs offered by telecoms and broadband companies to other utility providers

Raising awareness of and extending the social tariffs offered by some telecoms, broadband and water companies to gas and electricity suppliers would help reduce the number of working claimants on UC struggling to pay, and falling behind with, their bills.

Improve communication and signposting and increase auto-enrolment and automatic passporting

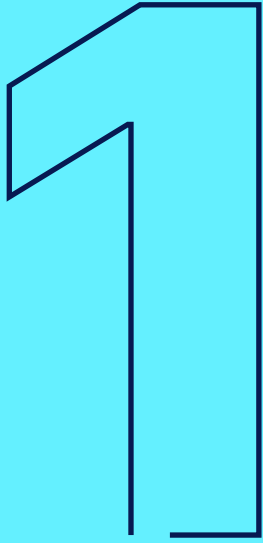
Better awareness raising of the support available using the UC journal and increased signposting by Jobcentre work coaches would help to increase take up. Take-up could also be increased, and administrative burdens reduced, through auto-enrolment and the automatic passporting of entitlement, as happened with the Government's Cost of Living payments.

Going forward: making work pay and the new child poverty strategy

The interaction between earnings, passported benefits and other means-tested support should be included as part of the formal review into Universal Credit and the commitment to 'make work pay' that was pledged in the Labour Party manifesto.⁷ Reviewing passported benefits and means-tested help, and the link with employment and work incentives, should also be included in the remits of the Government's new Child Poverty Taskforce and Child Poverty Unit, as part of their work to develop a new child poverty strategy.

⁶ National Food Strategy (2021). Recommendations in Full. <https://www.nationalfoodstrategy.org/wp-content/uploads/2021/07/National-Food-Strategy-Recommendations-in-Full.pdf>

⁷ Change: Labour Party Manifesto 2024, p.78. <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>



Introduction

Introduction

Passported benefits and means-tested help

In this IPR research report, we explore the interaction between Universal Credit (UC), earnings, 'passported' benefits and other means-tested help. Findings are drawn from our wider qualitative research, funded by abrdn Financial Fairness Trust, entitled: 'Coping and hoping: Navigating the ups and downs of monthly assessment in Universal Credit'.¹

Passported benefits and other means-tested help are income-based forms of financial and in-kind support with essential living costs delivered by a range of government departments, local authorities and utility providers, to which UC claimants (together with recipients of legacy benefits and other targeted groups) may additionally be entitled, depending on their circumstances. The support is typically provided in the form of reductions, concessions or discounts in charges, or in-kind help, but cash benefits may also be paid. Well-known examples include reductions in council tax, free school meals and free prescriptions, but there are many lesser-known schemes, including healthy food vouchers for pregnant women and mothers, reduced (or social) tariffs on utility bills and help with mortgage interest payments. The devolved governments of Scotland and Wales operate a further set of means-tested benefits and grants.

While there are statutory obligations and funding conditions attached to some of the schemes, their eligibility criteria, application processes and income thresholds are not prescribed by central government but are rather the responsibility of the particular government department, devolved administration, local council or utility company that owns and administers them.² Nor is entitlement necessarily automatic; indeed, some of the help on offer is discretionary. Most of the schemes require a separate application to be made. Though the thresholds differ, the support is generally reduced, curtailed or ended entirely, as it is for UC, in circumstances where household earnings rise above a certain level. It is for this reason that eligibility and entitlement rules of the different schemes matter a great deal for claimants who are working or self-employed.

- 1 Griffiths, R. and Wood, M. (2024). Coping and hoping: Navigating the ups and downs of monthly assessment in Universal Credit. IPR Report. <https://www.bath.ac.uk/publications/coping-and-hoping-navigating-the-ups-and-downs-of-monthly-assessment-in-universal-credit/attachments/coping-and-hoping.pdf>
- 2 UK Parliament Data, Passported Benefits: https://data.parliament.uk/DepositedPapers/Files/DEP2023-0791/124._Passported_benefits_V10.0.pdf

Research exploring working claimants' experiences of monthly assessment in Universal Credit

The wider study, from which findings presented here are drawn, tracked month-to-month changes in earnings and household income, in real time, between February 2022 and March 2023, using face-to-face and telephone interviews with a sample of 61 Universal Credit claimants in 42 households, with and without children, in England, Scotland and Wales. Two hundred and fifty-six interviews were conducted (55 face to face and 201 by telephone) and 491 UC monthly statements were collected. Sufficient data was generated to track monthly income and earnings over nine plus consecutive months in 37 households. When the research started, all participants were either in paid work or self-employment themselves and/or had a partner who was working.

A key objective was to explore experiences of the monthly means test, in which the UC payment is automatically adjusted upwards or downwards based on reported changes in a household's income, earnings and circumstances in the previous month. The research found that an increase in monthly earnings – which generally triggered a reduction in or loss of the UC payment – could, in turn, cause a reduction in or loss of entitlement to other forms of means-tested help. Particularly badly affected were claimants whose monthly earnings fluctuated, or were recorded as fluctuating, by HM Revenue and Customs (HMRC)'s Real Time Information (RTI) system, giving rise to income volatility and financial insecurity. Loss of entitlement to other forms of means-tested help could also influence decisions about whether, and how many hours, to work.

Exploration of means-tested support outside of UC was not a key focus of the research. In-depth analysis of the different schemes and their effects on claimants' incomes and work decisions therefore lies beyond the scope and remit of this policy brief. Here we identify some of the issues arising from the interaction between changes in earnings and changes in the UC payment and the knock-on effects this can have in terms of entitlement to other income-based help. Not all research participants had received means-tested support additional to UC, so this a partial picture based on the experiences of a small sub-sample. Significant evidence gaps therefore remain. With this caveat in mind, we discuss policy implications and suggest some possible ways in which the various schemes could be adapted and improved.

Structure of the report

The report is presented in four further chapters.

Chapter Two lists the main means-tested schemes and passported benefits in operation in England, Scotland and Wales that are potentially available to Universal Credit claimants (as well as other eligible groups).

Chapter Three outlines the policy context for passported benefits and means-tested help and the links with Universal Credit.

Chapter Four present findings drawn from our research, examining study participants' experiences of the different schemes including the effects on household finances and work-related behaviours.

Chapter Five discusses policy implications and options for adapting and improving particular schemes.

Annex 1 describes each of the main means-tested schemes and passported benefits in operation in England, Scotland and Wales, setting out the different eligibility criteria, application processes and earnings thresholds.

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**Means-tested and
passport forms
of help**

Means-tested and passported forms of help

In this chapter, we list and present in tabular format the main sources of means-tested and passported help available to UC claimants, together with claimants of legacy benefits and other targeted groups, in England, Scotland and Wales.³ This list is not exhaustive and excludes schemes specifically targeted on unemployed people and those with limited capability for work due to a disability or health condition. Highlighted in bold are the schemes which research participants in this study had some experience of and which we explore further in chapter four.

Annex 1 provides a more detailed description of each of the schemes, outlining the different eligibility criteria, earnings limits, application procedures and assessment processes which apply.

- **Best Start Foods** (Social Security Scotland)
- **Best Start Grant** (Social Security Scotland)
- Childcare for disadvantaged two-year-olds (Department for Education)
- **Council Tax Reduction schemes** (local councils)
- **Free school meals** (Department for Education)
- **Government Cost of Living Payments** (Department for Work and Pensions and HM Revenue and Customs (HMRC))
- **Healthy Start vouchers** (National Health Service (NHS))
- **Help with health costs** (NHS Business Services Authority (NHS BSA) on behalf of the Department of Health and Social Care)
 - Free NHS prescription charges
 - Free NHS dental treatment
 - NHS optical vouchers
 - NHS Low Income Scheme
- **Help to Save** (HMRC)
- Help with funeral costs (Department for Work and Pensions)
- High Income Child Benefit Charge (HICBC) (HMRC)
- **Household Support Fund** (local councils)

³ Northern Ireland is not included. We had no research participants in Northern Ireland in our sample.

- Legal aid (Legal Aid Agency (LAA), on behalf of the Ministry of Justice (MoJ))
- **School uniform grants** (local councils)
- **Scottish Child Payment** (Social Security Scotland)
- **Social tariffs – discounted mobile phone and broadband packages** (individual providers)
- Support for Mortgage Interest Scheme (Department for Work and Pensions)
- Sure Start Maternity Grant (Department for Work and Pensions)
- **Warm Home Discount** (Department for Energy Security and Net Zero)
- **WaterSure and help with water bills** (individual water companies)
- Winter Fuel Payment (Department for Work and Pensions)
- Winter Heating Payment (Social Security Scotland)

The table overleaf summarises the different schemes outlining the administering department or agency, eligibility criteria and entitlement, earnings threshold and geographic coverage.

Table 1. Passported benefit types with amounts paid and earnings thresholds

Passported benefit	Administrative authority	Eligibility criteria	Earnings threshold (net)	Entitlement / amount paid	Geographic area
Best Start Foods Scotland ¹	Social Security Scotland	Receipt of UC / other qualifying benefits	No earnings threshold (but was £726 per month at time of research)	£21.20 every four weeks during pregnancy, £42.40 every four weeks from birth up until age one and £21.20 every four weeks when child is between one and three years old	Scotland
Best Start Grant (Scotland)	Social Security Scotland	Receipt of UC / other qualifying benefit	No earnings threshold	The Pregnancy and Baby Payment is £754.65 for the first child and £377.35 for any subsequent children. The Early Learning Payment is £314.45 per child. The School Age Payment is £314.45 per child.	Scotland
Childcare for disadvantaged two-year-olds – England ² and Scotland ³	Department for Education	Receipt of UC / other qualifying benefits / low earnings	England: £15,400 per annum; Scotland: £9,552 per annum	Government subsidies are £8.28 per hour for 2 year olds. 38 weeks provision (15 hours per week) = £4,720 – paid direct to providers. ⁴	England and Scotland
Childcare for disadvantaged two-year-olds – Flying Start – Wales ⁵	Department for Education	Live in a Flying Start Area	No earnings threshold	Children receive 12.5 hours per week for 38 weeks (term time) so a full year is worth £3,933 – paid direct to provider. ⁶	Wales – disadvantaged areas only
Council Tax Reduction Schemes	Local councils	Varies by local council	Varies by local council	Varies	England, Scotland and Wales
Free school meals ^{7 8 9}	Department for Education	Receipt of UC / other qualifying benefit / low earnings	England: £7,400 per annum (for relevant ages); Scotland: £9,552 (for relevant ages); Wales: depends on area	Worth £480.70 per child (paid direct to schools)	England, Scotland and Wales (but different eligibility rules in each)
Government Cost of Living Payments	Department for Work and Pensions (DWP) and HMRC	Receipt of UC / other qualifying benefit	UC claimants must have been entitled to a payment of at least 1p during an assessment period that ended between 26 April and 25 May 2022 for the first payment and between 26 August and 25 September 2022 for the second payment (in study timeframe)	July 2022 - £326 November 2022 - £324 May 2023 - £301 November 2023 - £300 Feb 2024 - £299	England, Scotland and Wales
Healthy Start vouchers ¹⁰	National Health Service (NHS)	Receipt of UC / other qualifying benefit / low earnings	10 weeks pregnant or have at least one child under four years old and earnings are no more than £408 per month	£4.25 each week of their pregnancy from the 10th week, £8.50 each week for each child from birth to one year old, £4.25 for children between one and four.	England and Wales (Scotland equivalent is Best Start Foods)
Help with health costs (England) ¹¹ – free prescriptions	NHS Business Services Authority (NHS BSA)	Receipt of UC / other qualifying benefit / low earnings	£435 or less per month in last UC assessment period or £935 if they have a child or they or partner have limited capability for work (LCW) or work-related activity (LCWRA)	Varies (current prescriptions charges are £9.90 per item)	England

Passported benefit	Administrative authority	Eligibility criteria	Earnings threshold (net)	Entitlement / amount paid	Geographic area
Help with health costs (Scotland and Wales) ¹² – free prescriptions	NHS Business Services Authority (NHS BSA)	None	Free NHS prescriptions and dental and eye examinations. (Dental and eye treatment is means-tested.)	Varies	Scotland and Wales
NHS Low Income Scheme (LIS)	NHS	Depends on individual and household circumstances	No set earnings limit – depends on individual and household circumstance. Savings limit of £16,000.	Varies	England, Scotland and Wales
Help paying court and tribunal fees ^{3, 14}	HM Courts and Tribunals Service (HMCTS)	Receipt of UC / other qualifying benefit / low earnings	£6,000 per annum	Varies	England, Scotland and Wales
Help to Save ¹⁵	HMRC	Receipt of UC / other qualifying benefit / low earnings	£793.17 or more (with a partner if it's a joint claim) in previous monthly UC assessment period	Account holders receive a bonus of 50p for every £1 they save over four years. Account holders can pay in from £1 up to £50 per month and bonuses are paid in the second and fourth years.	England, Scotland and Wales
Help with funeral costs ¹⁶	Department for Work and Pensions / Social Security Scotland	Receipt of UC / other qualifying benefit	No earnings threshold	Varies	England, Scotland and Wales
High Income Child Benefit Charge (HICBC)	HMRC	High income	Charge applies as soon as one parent in household has a taxable income over £50,000 at time of research – now £60,000	A tapered tax charge, equal to one per cent of the total Child Benefit, was made for every £100 of earning over £50,000. Child Benefit payment was withdrawn completely when annual income reached £60,000 (at time of research). These amounts are now £60,000 and £80,000 respectively.	England, Scotland and Wales
Household Support Fund (HSF)	Local councils	Varies by local council	No earnings threshold	Varies	England (similar schemes in Scotland and Wales)
Legal Aid ¹⁸	Legal Aid Agency (LAA), on behalf of the Ministry of Justice (MoJ)	Low income (those in receipt of UC / other qualifying benefits are passported through the income means test)	No earnings threshold but there is a disposable capital (savings) threshold of £8,000	Varies	England, Scotland and Wales
School uniform grants ¹⁹	Local councils	Varies by local councils in England and Scotland. UC / legacy benefits in Wales / low earnings	Varies by local council in England and Scotland. £7,400 per annum in Wales.	Varies in England. In Scotland those entitled receive at least £120 per child of primary age and £150 per child of secondary school age. In Wales a School Essentials Grant is worth £125 per learner up to Year 11, and up to £200 for those entering Year 7.	England, Scotland and Wales (but differences)
Scottish Child Payment ²⁰	Social Security Scotland	Receipt of UC / other qualifying benefit	No earnings threshold	Weekly payment of £26.70 (2024/25) for every child in the household that a claimant is responsible for under the age of 16. Was £20 and originally only for those under six, then increased to £25 from Nov 2022 and extended to those under 16	Scotland

Passported benefit	Administrative authority	Eligibility criteria	Earnings threshold (net)	Entitlement / amount paid	Geographic area
Social Tariffs ²¹	Individual providers	Varies by provider	Depends on provider	Varies	Depends on provider
Support for Mortgage Interest Scheme ²²	Department for Work and Pensions	Receipt of UC / other qualifying benefit	No earnings threshold	A loan, repayable with interest, to help pay towards the interest on a mortgage or other home loan of up to £200,000.	England, Scotland and Wales
Sure Start Maternity Grant ²³	Department for Work and Pensions	Receipt of UC / other qualifying benefit	No earnings threshold	A one-off, non-repayable grant of £500 if the new baby is the only child under 16 in the household, or if the mother is expecting a multiple birth and has children already	England and Wales (See Best Start Grant Pregnancy and Baby Payment in Scotland)
Warm Homes Discount ²⁴	Department for Energy Security and Net Zero (DESNZ)	UC/qualifying benefit (need to be in receipt on a certain day) and property is scored to have a high energy cost and energy provider is part of the scheme	No earnings threshold	Annual £150 discount on energy bills	England, Scotland and Wales
Water Sure scheme ²⁵	Department for Environment, Food and Rural Affairs	UC/qualifying benefit and use a higher-than-average amount of water either due to a designated medical condition or because the household has three children or more under 19 and in full-time education. The property also needs to be on a water meter.	No earnings threshold	Varies (in 2021/22 average bill discount was £307 per annum)	England and Wales if covered by Welsh Water (in Scotland water rates are included in council tax)
Water discounts – special schemes ²⁶	Individual water companies	Varies by provider	Depends on provider	Varies (in 2021/22 average bill discount was £149 per annum)	England and Wales (in Scotland water rates are included in council tax)
Winter Fuel Payment ²⁷	Department for Work and Pensions	Born before 23 September 1958 and in receipt of a qualifying means-tested benefit	No earnings threshold	People of state pension age receive £200 and people over 80 years receive £300.	England and Wales
Winter Heating Payment ²⁸	Social Security Scotland	Receipt of UC / other qualifying benefit during a qualifying week (4-10 November in 2024)	No earnings threshold	£58.75 for winter of 2024/25 (regardless of how cold the temperature gets)	Scotland

1 <https://www.mylgov.scot/best-start-grant-best-start-foods>
2 <https://www.gov.uk/help-with-childcare-costs/free-childcare-2-year-olds-claim-benefits>
3 <https://www.mylgov.scot/childcare-costs-help/funded-early-learning-and-childcare>
4 [38 x 15 x £8.28 = £4,720](https://www.gov.uk/wales/get-help-flying-start)
5 [38 x 12.5 x £8.28 = £3,933](https://www.gov.uk/wales/get-help-flying-start)
6 [38 x 12.5 x £8.28 = £3,933](https://www.gov.uk/wales/get-help-flying-start)
7 [38 x 12.5 x £8.28 = £3,933](https://www.gov.uk/wales/get-help-flying-start)
8 [38 x 12.5 x £8.28 = £3,933](https://www.gov.uk/wales/get-help-flying-start)
9 [38 x 12.5 x £8.28 = £3,933](https://www.gov.uk/wales/get-help-flying-start)

10 <https://www.healthystart.nhs.uk/how-to-apply/>
11 <https://www.nhs.uk/nhs-services/help-with-health-costs/help-with-health-costs-for-people-getting-universal-credit/>
12 <https://www.nhs.uk/nhs-services/help-with-health-costs/help-with-health-costs>
13 <https://www.gov.uk/get-help-with-court-fees>
14 <https://www.scotcourts.gov.uk/raising-action/court-fees>
15 <https://www.gov.uk/get-help-savings-low-income>
16 <https://www.gov.uk/funeral-payments>
17 <https://www.mylgov.scot/funeral-support-payment/if-the-person-who-died-was-18-or-over>
18 <https://www.gov.uk/guidance/civil-legal-aid-means-testing>

19 <https://www.gov.uk/school-uniform>
20 <https://www.mylgov.scot/scottish-child-payment>
21 <https://www.gov.uk/government/news/low-cost-broadband-and-mobile-phone-tariffs>
22 <https://www.gov.uk/support-for-mortgage-interest-eligibility>
23 <https://www.gov.uk/sure-start-maternity-grant>
24 <https://www.gov.uk/the-warm-home-discount-scheme>
25 <https://www.citizensadvice.org.uk/consumer/water/problems-with-paying-your-water-bill/water-sure-scheme-help-with-paying-water-bills/>
26 <https://www.ccw.org.uk/save-money-and-water/help-with-bills/>
27 <https://www.gov.uk/winter-fuel-payment>
28 <https://www.mylgov.scot/winter-heating-payment>



Policy context

Policy context

Means-tested help with essential household costs

Passported benefits and means-tested help which supplement, and operate independently of, the main working-age benefits have long been in existence. Because separate government departments and agencies are responsible for administering their own schemes, neither the Department for Work and Pensions (DWP) nor the UK Government publish official statistics for the total annual value of passported and means-tested benefits.⁴ However, it is generally acknowledged that austerity-driven freezes and cuts in social security spending from 2010, all of which have eroded the value of working-age benefits, has seen a marked rise in their use and significance. Even when taking account of increases in Universal Credit standard allowances in 2023/24 and 2024/25, with the removal of the £20 weekly uplift to UC in September 2021, benefit rates remain at an historic low in real terms.⁵

As highlighted in our main research report, reductions in UC entitlement due to the two-child limit, benefit cap, second bedroom subsidy, non-dependent adult deduction and other welfare reform policies, together with deductions in the monthly payment for advance loan repayments, benefit and tax credit overpayments and the recovery of third-party debts, also mean that, although claimants may be working, there can often be a shortfall between monthly household income and essential living costs. In the context of the current cost of living crisis, for those struggling to pay the rising costs of housing, utility bills and food, any extra help they can get to top up their income from earnings and UC payments can often be a lifeline.

The impact on work incentives

It is not just in supporting low-income households with essential living costs that means-tested help outside of Universal Credit is of policy interest. Due to the potentially high monetary/in-kind value of the help available, also important to consider is the impact these schemes can have on work incentives and employment behaviours. Being able to access extra help with council tax bills, school meals, prescription charges and utility bills can often make the difference between being better off in work and not, between 'just about managing' and falling into debt. As such, this additional support has a crucial role to play in terms of UC's central goal of making work pay, not just for people moving off benefits into paid

⁴ <https://questions-statements.parliament.uk/written-questions/detail/2023-04-20/HL7345>

⁵ Brewer, M. et al. (2022). Social Insecurity. <https://economy2030.resolutionfoundation.org/wp-content/uploads/2022/01/Social-Insecurity.pdf>

work, but also for those already working. This is why the rules governing eligibility, entitlement and earnings limits, and the interaction with UC, are so important for working claimants.

In 2012, when UC was still in its initial design phase, an independent review of passported benefits and how they might link with the new benefit was conducted by the Social Security Advisory Committee (SSAC). The SSAC noted how the loss of passported benefits when people take a job “can create an unhelpful cliff edge and reduce the apparent gains to work”.⁶ The then Coalition Government endorsed the SSAC’s view, agreeing that “the design of passported benefits under Universal Credit can have a key impact on incentives to work”.⁷ Design options, they added, “should not ... undermine the overarching principle that people should be better off in work than they are on benefits”.⁸

When UC began to be rolled out in 2013, a single taper (which withdraws or ‘tapers’ away benefit entitlement gradually as earnings rise) and a work allowance (which disregards a certain amount of earnings before the taper is applied) were both intended to compensate claimants for the loss of passported and other means-tested help when they move off benefits into work and when earnings rose above a certain level. Indeed, the reach, generosity and range of work allowances were defining features of UC compared to the lower earnings disregards of most legacy benefits.⁹ Work allowances for lone parents were especially generous.¹⁰ Ensuring all UC claimants were entitled to a work allowance was therefore an important distinguishing characteristic. Granting all claimants a work allowance was intended to guarantee that working even a few extra hours would always pay, even if by doing so entitlement was lost for other means-tested help.

However, in George Osborne’s cost-cutting Spring Budget of 2015, the range of work allowances was decreased from seven to two, and work allowances for claimants who were not responsible for a child or did not have limited capability for work were abolished.¹¹ Work allowance levels were also reduced, making them much less generous.

6 Department for Work and Pensions (2012). Universal Credit: the impact on passported benefits, p.28. <https://assets.publishing.service.gov.uk/media/5a74fd8eed915d3c7d5298a3/ssac-rev-of-pass-bens.pdf>

7 As above, p.5.

8 As above, p.5.

9 Keen, R. and Kennedy, S. (2016). Universal Credit changes from April 2016, p.12. <https://researchbriefings.files.parliament.uk/documents/CBP-7446/CBP-7446.pdf>

10 In 2014/15, the work allowance for a lone parent with housing costs included in the UC payment was £263 per month, while for a lone parent without housing costs, it was £734. For couples the rates were lower: £222 and £535 respectively. Single and joint claimants with no dependent children were entitled to a flat rate work allowance of £111, regardless of whether they had any housing costs. As of April 2024, the flat rate monthly work allowance applying to eligible household types is £404 per month, if the Universal Credit payment includes a housing element, and £673 if it does not. <https://revenuebenefits.org.uk/pdf/Universal%20Credit%20Rates%20-%20table%20Mar%202014+VT.pdf>

11 Department for Work and Pensions (2015). Explanatory memorandum to the Universal Credit (Work Allowance) Amendment Regulations 2015. No. 1649. https://www.legislation.gov.uk/ukxi/2015/1649/pdfs/ukxiem_20151649_en.pdf

Differential rates for different claimant types were also ended. These changes mean that for single claimants and joint claimants with no limited capability for work and (potential) second earners in couples with dependent children, the UC taper is applied from the first £1 of earnings.

Marginal effective tax rates and cliff edges

When assessing the interaction between Universal Credit and other means-tested help, there is an important distinction to be drawn between policies and benefits that increase the ‘marginal effective tax rate’ (METR) – where an increase in income results in a gradual reduction in entitlement – and ‘cliff edges’ – where an increase in income results in loss of entitlement altogether. An example of the former includes the taper rate in UC, which is currently withdrawn at a rate of 55p in the £1 as earnings rise. The loss of entitlement for free prescriptions when net monthly earnings rise above £435,¹² even by a penny, is an example of a cliff edge. A high METR might mean the loss a large proportion of help as earnings rise but which potentially leaves people better off overall. A cliff edge, on the other hand, may leave people financially worse off.

Both high METRs and cliff edges can reduce work incentives and so affect employment behaviour, but because they can leave people worse off, cliff edges are considered to be most problematic. Cliff edges which arise following a small increase in earnings are felt to be particularly challenging. This is because the additional net earnings from working more may actually be worth less than the value of entitlements lost. UC’s single taper and work allowance are intended to reduce marginal withdrawal rates and cushion the blow of cliff edges. However, as noted above, only families with dependent children and people assessed as having limited capability for work are currently entitled to a work allowance. Moreover, as shown by Institute for Fiscal Studies (IFS) research, although the proportion workers facing a very high METR of 70 per cent or more (who lose at least 70p out of every additional £1 earned) is much lower under UC compared with the legacy system (nine per cent versus 26 per cent), the majority of UC claimants still face METR’s of 60–70 per cent, despite a taper rate of 55 per cent.¹³ This is because Council Tax Reduction, which remains outside UC, is withdrawn simultaneously, over and above the UC taper. Significant cliff edges and high rates of withdrawal as earnings rise therefore continue to affect large numbers of UC claimants.

¹² This is the monthly earnings limit in 2024 for a single UC claimant with no dependent children or limited capability for work.

¹³ Ray-Chaudhuri, S. and Waters, T. (2024). Universal credit: incomes, incentives and the remaining roll-out, p. 17. <https://ifs.org.uk/sites/default/files/2024-06/Universal-Credit-Income-incentives-and-remaining-rollout-Institutue-for-Fiscal-Studies-Report.pdf>

Changes to the Administrative Earnings Threshold and work conditionality

The interaction between Universal Credit and entitlement for other sources of means-tested help matters all the more due to recent changes to the conditionality regime. The Administrative Earnings Threshold (AET) and the Conditionality Earnings Threshold (CET) determine which labour market group and intensity of conditionality regime UC claimants are placed in, based on net household earnings per calendar month.¹⁴ These, in turn, determine the frequency of contact a claimant has with a work coach and the requirements they must agree to regarding preparing for or moving into work or increasing earnings.

The AET is a fixed, monthly household earnings threshold, usually adjusted in April (when benefits and statutory minimum hourly wage rates are updated), which determines the minimum amount most claimants need to be earning before intensive work conditionality is eased. Those earning below the AET are placed in the Intensive Work Search (IWS) regime, while those at or above the AET are placed in Light Touch (LT) regime (see below). Prior to September 2022, the AET was £355 per monthly assessment period for a single claimant, equivalent to working nine hours per week at the national living wage (NLW), and £567 joint earnings per month for couples, equivalent to working 14 hours per week. Since then, the AET has increased three times: from nine to 12 hours for a single claimant in September 2022; from 12 to 15 hours in January 2023; and from 15 to 18 hours in May 2024. The new AET level is currently £892 per assessment period for single claimants and £1,437 for couples, equivalent to an individual working approximately 18 hours per week or couples working around 29 hours per week between them, at the April 2024 level of the national living wage (£11.44 per hour) – a doubling of the hours that were required to be worked in 2022.

The CET is a flexible threshold calculated using the number of hours each claimant is expected to work or undertake work-related activity at the National Minimum Wage (NMW) or National Living Wage (NLW) as it applies to them depending on their age and circumstances.¹⁵ For most claimants, it is set at the rate equivalent to working 35 hours per week, but this can be adjusted downward to take account of disabilities, health conditions and caring responsibilities. An entirely different set of conditionality rules apply

¹⁴ UK Parliament Data, Administrative and Conditionality Earnings Threshold: https://data.parliament.uk/DepositedPapers/Files/DEP2023-0791/003.Administrative_and_Conditionality_EarningsV13.0.pdf

¹⁵ From April 2024: age 21 and over (national living wage) £11.44 per hour; ages 18-20 £8.60 per hour; age 16-17 £6.40 per hour; apprentice rate £6.40 per hour.

to claimants with self-employed earnings.¹⁶

The level of individual and household earnings (in the case of couples) that claimants are currently receiving place them in one of three regimes:

- Intensive Work Search (IWS) regime – earning less than their AET
- Light Touch (LT) regime – earning at or above their AET but below their CET
- Working Enough (WE) regime – earning above their CET

Claimants in the IWS regime have to meet face to face with a work coach every week or fortnight and actively look for work and ways to increase their earnings. They can be sanctioned if they fail to comply with their work search requirements without good reason. Claimants in the light-touch regime, whose earnings are above the AET but below the CET, receive less intensive support and are generally only required to participate in work-focused interviews by telephone. Those in the working enough regime have no work conditionality and no requirement to meet with a work coach.

For couples, there are household (or joint) and individual earnings thresholds, but the rules here are also changing.¹⁷ The couple's AET is calculated based on the earnings of both partners combined, and the threshold is used to assess their regime allocation. Previously, when one member of a couple earned above the AET but below the CET, both partners were placed in the light touch regime and not required to frequently meet with a work coach. The distribution of work between a couple could thus be shared between them, meaning that a non-working or low earning partner (NW/LEP) in a couple could be placed in the 'light touch' regime on the basis of a partner's wages. This will no longer be the case.

Removing the couple's AET means that all claimants will be required to achieve a minimum level of earnings as a condition of benefit receipt. Non-working/low earning partners' (NW/LEPs) conditionality will be assessed based on individual, rather than joint, earnings. Both partners in a couple will each separately need to reach the individual threshold of the AET to be placed in the LT regime. They will stay in the IWS regime until their own earnings go above the individual AET and will be required to meet regularly with a work coach until they themselves earn above the individual AET.

¹⁶ Claimants assessed as being Gainfully Self-Employed (GSE) are exempt from work search requirements and treated as working enough. Self-employed earnings do not therefore count towards the AET and the increase in the AET is not expected to affect them. (<https://www.gov.uk/government/publications/universal-credit-and-self-employment-quick-guide/universal-credit-and-self-employment-quick-guide>). However, self-employed claimants are subject to a minimum income floor (MIF) – an assumed level of income, equivalent to the CET – which is used to calculate the UC award after a 12-month period of test trading. The rules for couples where one or both have self-employed earnings and/or one or both also have paid work, are more complex still. We were unable to find any official guidance which explains how individuals/couples with earnings both from self-employment and paid work are treated.

¹⁷ The previous and current policy on couples, together with its impact, is explained in more detail here: <https://www.gov.uk/government/publications/changes-relating-to-in-work-progression-equality-analysis/equality-analysis-removing-the-couple-administrative-earnings-threshold-spring-budget-2023-announcement>

The policy rationale is that NW/LEPs should be treated the same as single claimants and lone parents and so required to meet the individual AET, regardless of having a partner.

The joint CET for a household is a combination of the individual expected CET of each of the partners, and this remains unchanged. In a couple household, claimants with individual or household earnings above the AET, but whose earnings are not above the relevant individual or household CET, are placed in the light touch regime. If only one of the adults earns above the household CET, both claimants are placed in the working enough regime.

Work conditionality rules for lead carers in couples with dependent children have also been brought into line with those of lone parents. From October 2023, the CET for the lead carer of a child aged three to 12 years old is now equivalent to working 30 hours per week at the NLW/NMW (up from 16 hours for parents of three- to four-year-olds and up from 25 hours for parents of five- to 12-year-olds), while in a couple, the CET for the other parent is the equivalent of working 35 hours per week. Lead carers with a youngest child under the age of one have no work-related requirements. With a youngest child aged one, they are required to attend a work-focused interview. With a youngest child aged two, lead carers are placed in the work preparation group and required to attend quarterly work-focused interviews.¹⁸

Why does a rise in the AET and extension of work conditionality matter?

While their impact has yet to be felt, the increase in the AET and changes to conditionality rules could have serious knock-on effects in terms of claimants' eligibility for passported benefits and other means-tested help. For people whose hourly rate of pay is at or near the national living wage and who have limited opportunities for progression or better paid work – due to having low skills, for example – having to earn more as a condition of benefit receipt essentially means working more hours or finding an additional job. Someone able to earn more than the NLW can work fewer hours if their earnings meet the AET, but a better paid job with a higher hourly rate of pay may often be out of reach. Either way, whether as a result of extra hours or a higher rate of pay, additional earnings will take some claimants above the earning thresholds for receipt of passported and other means-tested help. Extra hours of work could also give rise to additional travel or childcare costs, potentially cancelling out the financial benefits of earning more.

¹⁸ UK Parliament Data, Work-related requirements for claimants with children: https://data.parliament.uk/DepositedPapers/Files/DEP2022-0860/173._Work_Related_Requirements_for_claimants_with_children_V6.0.pdf

One of the key aims of UC's single taper and work allowance was to eliminate cliff edges and reduce marginal withdrawal rates as earnings rise, thereby ensuring that entering work, and earning more, always pays. However, if by earning more they lose entitlement to other means-tested help, this recent rise in the AET will mean that claimants who increase their hours or earnings to meet the new conditionality rules could ultimately be financially worse off as a result.

And while self-employed people are not subject to the AET, those who have completed a 12-month period of test trading are subject to the 'minimum income floor' (MIF). If a self-employed claimant earns more than the MIF, then their UC entitlement is calculated using their actual income. If they earn less than the MIF, then the MIF is used in place of their earnings to calculate UC entitlement, even if actual earnings are in fact much lower. Even though the level of household income would ordinarily qualify them for means-tested help, the use of the MIF in place of actual earnings will, in some cases, take household income above the threshold of entitlement for many passported benefits and means-tested schemes.

In these ways, as highlighted by the Social Security Advisory Committee (SSAC), complying with the new rules risks "adverse unintended consequences," not least of which is "the unintentional loss of passported and additional benefits".¹⁹ They noted that "an increase in a claimant's earnings could lead to the loss of council tax support, free prescriptions, free dental treatment etc."²⁰ Due to the potentially large amounts that some people might lose, a particular concern was the interaction between a rise in the AET and Council Tax Reduction schemes, and the added complexity and potential unfairness this will cause due to the locally differentiated nature of support. The impact of working extra hours or earning more will thus vary depending on the circumstances of each claimant and the local authority area in which they happen to live. As the SSAC note, "council tax relief, which varies by council ... may result in some claimants being worse off as they increase their earnings to meet the proposed AET threshold."²¹

The SSAC recommended that the DWP "should ensure it has a detailed understanding of the main passported benefits likely to interact with this policy, how its proposals will impact them, and to develop clear and effective guidance ... when claimants who will be demonstrably worse off financially as a direct consequence of this policy present themselves at a Jobcentre."²² The Committee further recommended that the Government should consider adjusting the earnings thresholds for passported and means-tested help so that "more work always pays more."

¹⁹ Department for Work and Pensions (2024). The Universal Credit (administrative Earnings Threshold) (Amendment) Regulations 2024 (SI 2024/****), p.22. <https://assets.publishing.service.gov.uk/media/662b80caae7fb5d93ebf9327/universal-credit-transitional-provisions-amdt-regs-2024-accessible.pdf>

²⁰ As above, p.22.

²¹ As above, p.22.

²² As above, pp.22-23.

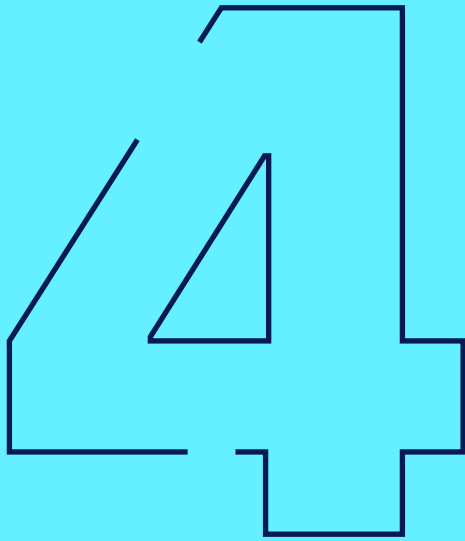
In a formal response, the then Secretary of State for Work and Pensions, the Rt. Hon. Mel Stride MP, stated that “the Department does not own the policy for passported benefits, and therefore cannot change the eligibility rules.”²³ There was, however, an undertaking that they would “ensure the policy owners for passported benefits understand the AET changes and the impact of this on their policies” and to ensure “as much as possible that work pays.”²⁴ No specific actions or timetable was set out. The response further suggested that the AET increase will have limited impact on other entitlements for help since many working claimants fall out of its scope already, due to working enough, and because the thresholds for many passported benefits were already below the previous AET of £677 per monthly assessment period.²⁵

It remains to be seen whether these reassurances prove to be correct. Given the relative newness and complexity of overlapping policy reforms, it is too soon to tell how UC claimants will be affected by the changes and what the impact on household finances, work incentives and employment behaviours may be. In the light of this uncertainty, the SSAC recommended that further research and evaluation is undertaken to assess the effects on claimants in different sets of circumstances.

²³ As above, p.7.

²⁴ As above, p.8.

²⁵ As above, p.8



**Experiences of
passported benefits
and means-tested
support among
research participants**

Experiences of passported benefits and means-tested support among research participants

In this chapter, we present study participants' experiences of some of the main forms of means-tested help and their interaction with Universal Credit.²⁶ We explore the ease or difficulty of access and the effects that changes in earnings may have had on eligibility, entitlement and household income. Where relevant, we also consider the ways in which changes in entitlement due to higher reported earnings may have affected work incentives and employment-related decisions. Detailed descriptions of how the different schemes operate, including eligibility criteria and earnings limits, are provided in Annex 1.

Council Tax Reduction schemes

While 26 of the 42 households in this research had received some discount to their council tax, for a large majority (19), this was a single person's discount, which is not income-based. Only seven had received a reduction in council tax on the grounds of low income (two of the seven received a discount due both to single occupancy and low income). There were various reasons why. Some people simply assumed that, because they were working, they were not eligible for a reduction and so had not applied for help. Others were unaware that a separate Council Tax Reduction (CTR) scheme operated independently of UC. Though information about the different council schemes is available online, neither the UC online system nor local councils appeared to routinely inform householders of the help available or the eligibility criteria:

"They don't always notify [you] ... about council tax support ... because the council tax support is separate, it's a main issue, not every customer on UC knows to apply for Council Tax Reduction."

Lisa, working lone parent with one child

One of the key reasons why relatively few participants were getting Council Tax Reduction was because household earnings exceeded their local council's entitlement thresholds. Even though their earnings were low enough to entitle them to UC, of itself, receipt of UC did not qualify them for help. Meeting the full cost of council tax was often a struggle:

²⁶ Some of the findings in this chapter are reproduced from our main research report and Government's cost of living policy brief.

“The stinger really is council tax, isn’t it? Because obviously ... I work and yes, I’m entitled to UC but I still pay my council tax ... I get my single person’s [discount], but it’s still a lot of money.”

Lisa, working lone parent with one child

It seemed unjust to Lisa, and to others, that their liability for council tax was the same as people with much higher income and whose net earnings were not subject to the UC taper, as theirs were:

“The people that are working don’t get that help, even though they get the UC ... They are trying their best ... to earn the money to provide for their children... but then they don’t get any help with council tax support... Once you hit a certain amount of your income, you’re not entitled to anything... I just think it’s a little bit unfair on people that want to work and earn, then they’re penalised because in actual fact they’d probably be better off working less hours because they’ll get everything else paid for.”

Lisa, working lone parent with one child

Inability to afford the full cost of council tax was a key reason for high levels of council tax arrears seen among study participants. In our sample, 11 said they currently had arrears of council tax and several more had had arrears in the past. For some, the amounts owed were large and several participants had been summoned to court for non-payment. Neil and Kate were unable to pay their council tax after losing entitlement to UC when they both worked overtime to pay for school uniforms. After going to court and agreeing a repayment plan, Neil was subject to an ‘attachment of earnings order’ which deducted a portion of the arrears direct from his earnings:

“The council tax arrears all come out of attachment of earnings off [my partner’s] wages ... it was quite a lot ... One week ... he earned £900 because he did overtime ... and I think they took about nearly £300 off him.”

Kate, couple with two children

The amount by which wages were reduced, moreover, was added back into net earnings for the purposes of calculating UC entitlement, as though the deduction from earnings had not in fact been made ²⁷:

“The attachment of earnings that were coming off wages were not taken into account by UC. I checked it ... they don’t account for attachment of earnings.”

Kate, couple with two children

Gina also found herself in court for council tax arrears after losing her Council Tax Reduction when she worked extra hours at Christmas. The extra earnings took her monthly income above the threshold of entitlement that applied to her local CTR scheme.

²⁷ The same system of adding debt and loan repayments back into earnings for the purposes of assessing UC entitlement applies to student loan repayments.

“At Christmas I was offered a shift ... £500 ... I took that opportunity. That then resulted in it appearing within ... my assessment period that I'd received more income ... and it looked like I had ... two wages in January. Subsequently that impacted my council tax support, so whereas council tax bill would usually be £258, it's now £1,200 ... I've ended up with £1,000 council tax debt ... If it just goes over the threshold by maybe even like £20 or something.”

Gina, lone parent with one child

Calculating how much CTR is lost for additional hours of work was complex, she said, and the rules lacked transparency:

“There's very little information about [it] ... Work is to be encouraged, I understand, but at the same time you're losing a significant amount with your council tax, you know, up to £1,000 debt I've now got because I'm going to work for them minimal hours... It turns out even though I was benefitting from the [UC] work element, it's then taken from you ... so basically it's given in one hand and out the other, which they're not transparent about.”

Gina, lone parent with one child

Gina had wrongly assumed the threshold of entitlement for council tax support was the same as or very similar to the UC work allowance. As she later discovered, the earnings threshold for CTR in her local authority area was much lower. Nor had she realised that the help she got with council tax would vary alongside monthly changes in her earnings. With a nil UC payment and no work allowance that month, and full liability for council tax, these losses were much higher than her additional earnings, making her significantly worse off. Not only this, she lost entitlement to help with council tax for the rest of the financial year:

“So I was notified that I have an £1,100 bill, that's because I was no longer entitled the council tax support scheme, although this varies monthly from your income ... following further investigation, once you go over £270 [net earnings], then you lose your council tax [reduction]... Last year ... that entitlement was round about £900 ... that's now changed ... resulting in a significant council tax debt and court proceedings.”

Gina, lone parent with one child

The financial penalty, as she saw it, of choosing to work an extra shift was all the more galling for Gina because, as a carer in receipt of Carer's Allowance, she had no work conditionality and was not, in fact, obliged to work at all. Now better informed about the income limit rules of her local CTR scheme, she had adjusted her shift pattern to ensure her monthly earnings always remained under the income threshold of entitlement:

“So now I do like two or three shifts a month and ... that brings me under ... I got penalised ... just by literally going over a few pounds ... so whenever I pick up a shift, I'll always be trying to work out the date [my pay] is going to go in.”

Gina, lone parent with one child

Variability in and arrears calculation of monthly earnings made liability for council tax particularly hard to predict and budget for. In some local authority areas, entitlement for help was automatically adjusted based on the same monthly HMRC RTI earnings data used for the purposes of assessing UC. Entitlement was no longer based on earnings averaged out for the year, as they had been under tax credits, but was rather assessed monthly:

“I think old style benefits... they’d recoup it at the end of the year ... whereas now ... my council tax is linked to my UC, so as soon as they get the real time data, that’s it ... We’re paid in arrears as well, so by the time the council have real time data, potentially the next month you might not have done the hours and they’re going to be taking more council tax... As soon as you’ve worked a little bit more ... then they expect you to pay a little bit more ... It surprised me.”

Zoe, lone parent with one child

For people whose monthly earnings varied, or were reported by HMRC’s RTI system as varying, automated linkages between UC and some Council Tax Reduction schemes meant that eligibility for and reduction in council tax could fluctuate from one month to the next ²⁸:

“It literally fluctuates every single month ... It is crazy, really crazy My wages are pretty steady ... but it only takes an hour or two’s overtime for me to lose it and they have to readjust... If I didn’t work at all, I would have full Council Tax Benefit, but because I work, even just those few hours, it changes each month ... Last month where I had a week off sick and I wasn’t paid ... they upped my Council Tax Benefit by £6 per week but then like the month before, where I’d had the two pay [packets] in one [assessment] period ... my Council Tax Benefit was less.”

Zoe, lone parent with one child

Even a small increase or decrease in earnings of just a few pounds could generate a new council tax demand, statement and monthly payment regime:

“Even if my [monthly] wages change by £10, that little amount, I will still have a new award through the door each month ... They readjust the direct debit.”

Zoe, lone parent with one child

Finding the money to pay council tax was hard enough, but a liability that varied each month was harder still to keep on top of:

“I can genuinely tell you, I never know from one month to the next what I’m paying! I just get a letter through the door, and I ring them up and I say, how much do I owe? ... It’s really,

²⁸ Further details about how erroneous RTI submissions from employers and being paid weekly, two-weekly or four-weekly, or early, can give rise to multiple pay packets being counted in their monthly assessment period, is included in the main report.

really confusing and ... really difficult to budget ... It literally fluctuates every single month.”

Zoe, lone parent with one child

Self-employed people were also badly affected. Sarah and Tom lost all of their Council Tax Reduction because UC’s minimum income floor²⁹, which had recently been applied to their earnings, was used to assess their entitlement. The loss of this help significantly reduced their household income, creating serious financial difficulties:

“My partner’s been self-employed for over a year. Once that year’s ended, with UC they put a [minimum] income floor ... that’s just what’s recently happened. So I think once we’ve paid rent, we have like £300 left for the whole month. And because they’re saying we’ve earned this much now, we’ve lost the Council Tax Reduction.”

Sarah, couple with two children

Another participant who was self-employed explained how difficult and onerous it had been to claim a reduction on her council tax. Largely, this was because the accounting requirements of UC and her local council’s scheme were at variance, obliging her to generate two different sets of figures:

“I didn’t realise I could apply for it until quite late last year ... It was extraordinarily difficult ... when I applied for Council Tax Reduction. They wanted accounts presented in a different way so I had to do them all again ... So it makes it incredibly difficult to apply for both ... they both work on different presentation of accounts ... it just took up all of my headspace for months.”

Phillipa, single claimant with no children

Though she did eventually receive a reduction, the amount Phillipa got, and therefore her council tax liability forecast for the year ahead, varied month to month, alongside changes in her self-employed earnings:

“I eventually got a full council tax rebate ... but I think I’m going to get another letter every month because of my self-employed [status] ... They seem to be recalculating it for every time that I put in my accounts for UC, depending on what I’ve earned ... and not just for that month, they give me a whole month forecast of [council tax] payments for the next year.”

Phillipa, single claimant with no children

Nor was it just claimants’ earnings that could reduce entitlement. Stephen and Vanessa shared a flat with their adult son. After Stephen’s ill-health obliged him to give up work, with both him and his wife unemployed and with limited capability for work, the couple received full entitlement to

²⁹ The Minimum Income Floor (MIF), which applies to self-employed claimants, is broadly equivalent to the national minimum wage for each hour the claimant is expected to work as set out in their claimant commitment. The MIF is normally applied after a 12-month start-up period of ‘test trading’. If a claimant earns more than the MIF, then their UC entitlement is calculated using their actual income. If they earn less, then the MIF is used in place of their earnings to calculate UC entitlement.

CTR. However, several months later, they were shocked to receive a letter informing them that they had arrears of council tax. It transpired that a 'non-dependent deduction' had been applied³⁰. This had not only reduced the housing element of their UC payment by £78 each month, but because their son was working (albeit intermittently), they had lost most of their Council Tax Reduction as well:

"The biggest shock we've had ... last month was we've got to pay £80 a month council tax ... [neither me nor my wife are working at the moment] ... but my son is, so they've taken it into consideration. I've tried to query it to find out exactly what is happening but they haven't got back in touch."

Stephen, couple with no children

Loss of entitlement for CTR left Phillipa questioning whether work did genuinely pay, as the UC policy assumes. Working extra hours meant she was liable to pay more council tax than she had been liable for before she claimed UC. As a single claimant with no entitlement to a work allowance, this loss of entitlement for help after tax, National Insurance and the UC taper had already reduced gross earnings by more than 75 per cent, meant she was no better off in work:

"They take off 55p every pound [of earnings] but then on top of that ... I start to have to pay council tax ... but I don't understand what the rate is or how they work that out, but I honestly wonder if it's worth me working at all, by the time I factor in the council tax ... Before Christmas I did a couple of bits of training which all got paid at once ... and then they charged me £191 in council tax that month ... Well that's more than I was paying before I was on UC!"

Phillipa, single claimant with no children

When she queried the amount of council tax she was required to pay, she was informed that late submission of earnings data from the UC system to the council meant that she had been overcharged:

"Last week I rang them up about it and said ... why have you still taken the big payment? And they said, 'oh, that's because UC don't always tell us on time what you've earned, so if they're late, then we go on the last month and charge the same as the last month' ... It's unbelievable. So I was then in credit for £198 ... and they just repaid that to me today into my bank account – you can reclaim it. But if I hadn't rung up, they wouldn't have done that."

Phillipa, single claimant with no children

³⁰ The 'non-dependent adult deduction' reduces the UC housing element for each adult aged 21 or over living in the household who could, in theory, contribute to the rent and council tax (regardless of whether or not they can or do). At the time of the research, in 2022/23, the monthly reduction was £77.87 for each non-dependent adult. In April 2024, this increased to £91.47. Affected households may also be subject to a corresponding reduction in council tax support. The amount deducted varies depending on the local authority.

Although the overpayment was later refunded, chasing the council, correcting the error and having to closely monitor her bank account was an additional administrative burden:

“The only way I can work around [changes in entitlement] is by keeping a bit more money in the bank really, one month to the next ...If I get charged the same amount two months running [I'll] ring up, because the second month is probably a mistake.”

Phillipa, single claimant with no children

In local authority areas using the same automated HMRC RTI feed used in the calculation of the UC award, a change in monthly earnings could trigger a reduction in entitlement across several different means-tested schemes. When Sarah returned to work after maternity leave, she simultaneously lost entitlement to council tax support, free school meals, a school uniform grant and Healthy Start vouchers:

“Last year I decided to go back to work and it just messed up everything ... I don't want to be on benefits, I do want to be working and off them... I had three letters from the council all at once, one was saying my eldest was no longer entitled to free school meals. Then the next letter said that we no longer get discount for our council tax. And then the third letter, they do a uniform grant every year, then they said that I earned too much to receive that. Oh, and then there was a fourth one saying that I no longer get the Healthy Start vouchers. It was absolutely ridiculous ... So it's not like I had any extra money from working.”

Sarah, couple with two children

The cumulative effect of losing all this means-tested help all at once meant that the family was financially worse off when Sarah was working than when she was not. As the lead carer for a child under the age of one, and no obligation yet to work under UC conditionality rules, she subsequently gave up her job:

“When I put all that together, it worked out that we'd have more outgoings than we do incoming, with me being in work... when I was working, it just wasn't doable ... It just works out better if I'm not in work, for the minute anyway.... So I've just decided ... I'm going to wait until my little one's in full-time [school].”

Sarah, couple with two children

With a recent increase in the work allowance, Zoe was considering whether it would be financially worthwhile for her to increase her hours. The decision was finely balanced. Having reduced her hours from 16 hours to eight, the additional help with council tax, Healthy Start vouchers and other support she was now entitled to meant that the family was financially better off compared with when she was earning more:

“Now that they've increased the work allowance to £379 ... I wouldn't mind working a few hours extra then besides because the taper wouldn't be so dramatic. But I do think the taper's a bit high, I think 55p in every pound ... is an awful lot ...because

then when you take that into account with things like ... council tax ... Healthy Start, the extra little bits you get ... when they're taking so much off your wages, you end up worse off ... I was certainly worse off working 16 hours a week compared to how I am now, working eight hours a week."

Zoe, lone parent with one child

Free school meals

Eleven of the 33 households with dependent children were entitled to free school meals due to low household income. With the earnings threshold so low, it was only single-earner households – mainly lone parent families – that qualified for help. Irrespective of earnings, some families also received free school meals because a child or children had a disability. All of those who were entitled to free school meals were highly appreciative of the help they got, which made a significant difference to their ability to get by each month. In most areas, receipt of free school meals during term time also appeared to grant eligible parents automatic entitlement to additional support during the school holidays. This, too, was a big help. That the food vouchers were generally paid automatically, without the need for a separate application, was also greatly appreciated:

"So there is some extra support and so in the holidays, thank goodness, the council ... give you money for each child ... because they're entitled to free school meals. So basically we get ... £15 a week, so that really does help ... vouchers ... it comes through email ...it's a real big help."

Claire, lone parent with three children, then later single claimant with no children

Given their reliance on this help, parents above the free school meals threshold whose children were about to transition from primary to secondary school were concerned about how they would manage when their entitlement ended. For working parents not entitled to free school meals, the cost of paying for school meals from net earnings, after the UC taper had been applied, was not inconsiderable, particularly if they had more than one school-aged child. Recent increases in the price of school dinners were an added pressure and a lot to find from already squeezed household budgets:

"The [school] dinner ... it's like £2.70 a day ... and that's just went up ... It used to be ... £2.40 a day ... loads of money, just paying their dinner."

Erin, couple with three children

Working families with two or more children sometimes found the cost of school meals unaffordable. Some gave the children a small amount of cash to spend each day or week instead:

"I hate school meals, they're so expensive. School dinners for three kids ... £3 a day ... that's £160 a month! ... Dinner money! It's insane, horrendous, so ... I give them £5 start of the week

and then they take some food [from home] and they can do what they want then.”

Lydia, lone parent with three children

In other families, certain children received free school meals while others did not:

“They look at free school meals in terms of benefits, not child, so families who have got four kids, two might get it and two might not, because of their age. That is incredibly infuriatingly frustrating, it really is.”

Emily, couple with two children

Parents who were not entitled to free school meals felt they should be provided to all children in families on UC, irrespective of household earnings:

“If you’re entitled to some form of UC, everybody [should] get that help of, you know, free school dinners, council tax support, just to help you that little bit more... Basically ... it’s just a thank you for working.”

Lisa, working lone parent with one child

Ensuring all children of primary school age had a nourishing meal each day was also felt to be an important goal in itself:

“I think a big thing would be free school meals for all primary school children... I don’t know whether they could ever do that ... because if you earn too much ... you might be just on the threshold but you can’t claim free school dinners, but you haven’t got a lot of money either... So I think that would be helpful. Because some kids don’t necessarily get fed well at home.”

Grace, lone parent with one child

Government Cost of Living Payments

As reported in our separate policy brief,³¹ distributing the Government’s Cost of Living help using benefit receipt as an administrative gateway proved to be an efficient and effective means of getting one-off cash payments swiftly into the bank accounts of eligible claimants. The main reason for this was the automatic passporting of entitlement without claimants needing to apply separately and engage in additional form filling. By eliminating the need for processing and additional means testing, automation also reduced bureaucracy and administration costs for the DWP.

31 Our separate policy brief focuses specifically on experiences of the Government’s cost of living help. Griffiths, R. (2022). Universal Credit, Working Claimants and the Government’s Cost of Living Support. IPR Policy Brief. https://www.bath.ac.uk/publications/universal-credit-working-claimants-and-the-governments-cost-of-living-support/attachments/Universal_Credit__Working_Claimants_and_the_Govt_s_Cost_of_Living_Support.pdf

However, while automation allowed for Cost of Living Payments to be paid directly into recipients' bank accounts, the cliff edge nature of the eligibility criteria meant that significant numbers of UC claimants were ineligible for one or more awards. For employees earning close to the upper limit of eligibility for UC, just a few hours extra work could take their income above the threshold of entitlement. A one-off bonus received from an employer, intended to help with the rising cost of living, could similarly have generated a nil UC award in the qualifying period. Others who had earned the same monthly wage lost out due to multiple pay packets being captured in their assessment period. Nationally, some 594,400 UC claimants were deemed ineligible for the July 2022 Cost of Living Payment.³² Eighty-five per cent of those who received no payment had reported earnings which reduced the UC payment to nil during the qualifying period.³³

Our sample included seven participants who had missed out on one of the Government's Cost of Living Payments. In each case, this was due to reported earnings exceeding the UC threshold of entitlement, resulting in a nil payment in the qualifying period. In some cases, people had worked longer hours, and so earned more. Most had been unaware that working a few extra hours would make them ineligible for this additional help. Had they known, these offers of overtime would have been turned down. This was because their additional earnings were significantly less than the £326 or £324 tax and taper-free payment they would otherwise have received. Denied financial help for 'doing the right thing' seemed, to them, as grossly unfair:

"I missed out because of the dates of my assessment. I think I missed out on one day, because the statement just before that, I had a payment from UC and ... then I had a zero [payment] in that period. It kind of wiped me out, so I lost it by just one day ...I suppose it's just the Govt's way of not having to pay everybody."

Mia, single claimant with no children

Several others had lost entitlement to the payment because more than a month's pay had been included in the qualifying assessment period. This was generally due to receiving wages early, or as a result of receiving two four-weekly or five-weekly pay packets in one calendar month. Since they had not actually earned any more money, this loss of entitlement was felt to be particularly arbitrary and unjust.

One participant, whose employer had announced they would be distributing their own cost of living bonus to its workforce, had requested if her bonus could be split into a series of smaller increments, rather than paid as a lump sum. Spreading the bonus over several months, she explained to him, would ensure she also remained eligible for the Government's Cost of Living

³² <https://questions-statements.parliament.uk/written-questions/detail/2022-10-10/59119>

³³ House of Commons: Work and Pensions Committee (2024). Cost of living support payments: Government Response to the Committee's First Report, p.6. <https://committees.parliament.uk/publications/43016/documents/213962/default/>

Payment. The employer agreed and informed all members of staff that, to preserve their entitlement to the Government's help, anyone in receipt of UC could request to have their bonus paid in this way.

People who were ineligible to receive one or both Cost of Living Payments were advised by the Government to seek help from the Household Support Fund (or equivalent help offered in Scotland and Wales). However, as reported below (see [page 37](#)), working claimants found this hard to access and most said they were ineligible for help due to their earnings.

Healthy Start vouchers in England and Wales and Best Start Foods in Scotland

Parents in England who were getting Healthy Start vouchers, or had received them in the past, found them to be a useful top up to the family's food budget:

"If I run out of milk or if I wanted to get them ... fruit and veg, I try and give them quite a balanced diet, it's nice to know that I had that to fall back on."

Emma, couple with two children

The recent change to the scheme's design which saw the paper-based vouchers replaced with a prepayment card was felt to be a big improvement:

"This [card] is a much better way than the paper ... voucher. So you had to spend that amount or up to that amount. This is a much better way because you can just go and buy a pint of milk and ... it's just like a bank card, the balance is remaining on that. "

Emma, couple with two children

However, with a very low net earnings threshold of £408 per month, few families in this research were entitled to Healthy Start. As soon as one parent moved into work or took on additional hours, entitlement was generally lost. Ruby lost entitlement to Healthy Start vouchers when her partner started working. Though the amounts she got were relatively modest, she appreciated the small boost to her personal income. After her partner was made redundant, she looked forward to having the vouchers reinstated:

"'Healthy Start' in the NHS ... it's £4.50 per week and you get vouchers towards milk, fruit and vegetables, but you have to be on some type of benefit and your partner or you can't earn more than £400, and because he was working, I wasn't eligible anymore ... Maybe [I'll] get them for the next couple of months or two, until he's back at work."

Ruby, couple with two children

Most felt that working households should continue to get Healthy Start vouchers while earnings were low enough to entitle them to UC. Single-earner households in which one partner (usually the woman) had no earnings especially missed the loss of personal income:

“It stopped because of his earnings, which is a shame, because I don’t earn anything... .. It’s not like he’s earning a fortune, once you take off council tax and that, you’re not actually any better off ... I think that’s wrong. Anyone under a certain threshold should still get [Healthy Start] vouchers.”

Emma, couple with two children

In Scotland, where eligible families receive Best Start Foods, the earnings threshold was abolished in February 2024. Although the help is means-tested, earned income is disregarded in full as long as the household is receiving UC (or legacy benefits) on the day of application. Best Start Foods is also much more generous than Healthy Start. Eligible families currently receive £21.20 every four weeks (equivalent to £5.30 per week) per child during pregnancy, £42.40 every four weeks (£10.60 per week) per child from birth up to one year old, and £21.20 every four weeks (£5.30 per week) per child when the child is between the ages of one and three. This compares with Healthy Start in England which is worth £4.25 each week of pregnancy from the 10th week, £8.50 each week for each child from birth to one year old and £4.25 for children between one and four. Best Start Grants in Scotland are also payable in addition to Best Start Foods.

Help with health costs – NHS prescription charges, dental treatment and optical vouchers

In England, help with NHS prescription charges, dental treatment and optical vouchers is means-tested, while in Scotland and Wales, prescriptions are free regardless of age or earnings. UC claimants in England may be exempt from certain NHS health charges such as prescriptions, dental examinations and sight tests, and may receive a contribution towards the cost of glasses and dental treatment, but only if their take-home pay in the last assessment period was £435 or less, or £935 or less if the UC includes a payment for a child or the claimant has limited capability for work. If monthly earnings increase or decrease, entitlement for help changes correspondingly. Those with variable earnings may be eligible for help in some months but not others.

At their first interview, 28 out of 61 participants said they were entitled to free prescriptions. However, 15 of the 28 were living in Wales or Scotland where prescriptions are free for everyone. Only 12 participants in England were entitled to free prescriptions on the grounds of low income. Under the system of tax credits, claimants were generally entitled to help with health costs for a year and received a card to prove their eligibility:

“When I was on tax credits I got a card ... if you were eligible you got a card, so that you could show whoever that ... if UC could do something like that, it would be handy.”

Grace, lone parent with one child

Monthly assessment in UC, however, means that eligibility can vary from one month to the next, depending on household earnings, making such cards redundant. Participants generally felt that information about who was entitled to help with NHS-related charges and the earnings thresholds that applied for UC claimants was not communicated widely or clearly enough:

“I think they should make it clearer whether you’re eligible for prescriptions and glasses and things like that, that would really help. I don’t know why they can’t do that, it’s quite a simple yes or no. But I guess if you earn more money one month, might [exceed] the threshold ... I don’t know ... if you could know what the threshold was before ... if they could tell you how much.”

Grace, lone parent with one child

The lack of clarity was particularly worrisome given the penalty charges that can be levied:

“If they put on the prescription, on the back of it, UC if you earn less than a certain amount, then it would be clearer on whether you get it or not ... But you’re worried now whether you’re going to suddenly be told, oh you owe this ... It’s very unfair, they don’t make it clear.”

Emma, couple with two children

Many wrongly thought the earnings threshold was lower or higher than it actually was. Getting it wrong could cost people dearly – missing out on help they were entitled to, on the one hand, or risking a fine on the other. In assessment periods when earnings exceeded the limit, a £50 fine is payable if free prescriptions or help with dental or optical costs are incorrectly claimed that month. An extra £50 charge is levied if the fine is not paid within 28 days of receiving the penalty charge notice.

There also seemed to be different versions of the form used to claim free prescriptions. Some said there was a UC box to tick:

“It’s very unclear ... on the forms for prescriptions it says UC, well we do get UC, so I always cross that one ... but they don’t make it easy for you to navigate through this.”

Emma, couple with two children

Others said there was no UC box to tick:

“On the back of the prescription. ... they don’t have a UC bit on the script! So you have to choose between one or the other! ... Can you tell me which one I need to [tick] for UC because I don’t know and I don’t want to get it wrong because I don’t want to be sent a letter somewhere along the line that says you’ve earned too much so ... because I have fallen foul of that ... So you do have to make sure you ... tick the right one there,

otherwise you get in trouble.”

Claire, lone parent with three children, then later single claimant with no children

The rules governing eligibility for help with dental charges were also said to be opaque:

“Nobody can tell me what the threshold is for a dentist. Not even the dentist can tell me! ... Nobody knows ... the limits ... it's all a mystery. So I'm constantly waiting for a debt-collecting bill to come back in, you went to the dentist, you've got to pay us, you've had new glasses, you've got to pay us. I'm forever waiting for those to come through because nobody knows.”

Emily, couple with two children

Unlike council-administered schemes, there is no automatic feed of earnings data from the UC system, placing the onus on claimants to judge and prove their entitlement, if challenged:

“If they put on the prescription, on the back of it, UC if you earn less than a certain amount, then it would be clearer on whether you get it or not... I wouldn't be surprised ... if there's a fine coming, saying you owe us £100 now because you get too much money ... It's very unfair, they don't make it clear.”

Emma, couple with two children

Another issue was that the NHS verification system used for cross-checking earnings and eligibility was not always said to be reliable. One participant had wrongly been fined for claiming free prescriptions when they were, in fact, eligible. Although the mistake was later corrected, they had the inconvenience of having to prove their entitlement with the NHS agency that administered the scheme:

“I get my prescriptions delivered ... I just ... clicked that I'm entitled to UC and then they sort it out, I don't pay. But obviously I don't know who checks them ... There was one time I got a fine for claiming a free prescription when I wasn't entitled, which wasn't true. I had to ... send them my UC letter to show that for that period I actually was entitled... I queried it and ... they said send your UC statement and I did, and they said that it was a mistake ... I think [the fine] was £50.”

Melissa, lone parent with two children

The monthly earnings limit also meant that participants with variable earnings were sometimes obliged to delay collecting medications they had been prescribed, or to wait before replacing spectacles, until their earnings dipped to below the threshold:

“I had like two months when my pay was low and I got myself a pair of glasses because my earnings were under the threshold ... You've got to be savvy and switched on... Because I hadn't done many hours in work ... I was like, 'oh my pay's been quite low recently, lovely, OK, I can get myself some glasses!’”

Lydia, lone parent with three children

As well as being difficult to navigate for people with fluctuating earnings, the income threshold was said to be too low, particularly for families without children. The fact that the limit applied to household, rather than individual, earnings was also felt to be unfair. In single-earner households, this meant that non-working partners were obliged to pay the full cost of prescriptions even though they themselves had no earnings:

“I don’t work ... but ... my partner works ... he earns over £400 a month, therefore I have to pay for my prescriptions. But I’m not working ... it’s crazy isn’t it? ... I then have to go even more careful on my medication, so I don’t use it too much, so I don’t need to get it as often ... So it’s impacting me medically... [the cost is] between £9 and £10 per item... It would be much better if everyone just got it free.”

Emma, couple with two children

While people living in Scotland and Wales do not pay for prescriptions or dental examinations, dental treatment is means-tested along similar lines as in England, on the basis of monthly earnings. Some participants also reported that certain types of medication had to be paid for:

“Prescriptions are free in Wales [but] they now limit what’s available on prescription ... So where I’ve been recommended like by a consultant ... to take for instance a high dose of Vitamin C and Vitamin D, the GP surgery refused to supply them on prescription because they cost them money ... and hay fever medicine ... is limited ... I still get those on prescription but I have to pay for them.”

Phillipa, single claimant with no children

None of the participants in our research mentioned, had received help from, or apparently knew about the [NHS Low Income Scheme](#) which could have provided a contribution towards the cost of prescriptions and dental charges if monthly earnings exceeded the monthly threshold for exemption.

Help to Save

Nine participants in this research had opened a Government ‘Help to Save’³⁴ savings account which was said to be a very useful and generous scheme for incentivising and rewarding saving:

“I’m on a Help to Save ... and I’m due to some bonus ... I set up a direct debit for £25, because that was the maximum I could save. ... in July after two years of saving ... I’m going to have £600 savings and a bonus of [£300], so that will be nice ... I’m just going to use it for paying for the school holidays.”

Naomi, lone parent with one child

³⁴ Help to Save account holder receive a bonus of 50p for every £1 they save over four years. Account holders can pay in from £1 up to £50 per month and bonuses are paid in the second and fourth years.

Though the amounts saved were typically modest, the money allowed people to pay for household goods without having to use credit cards, overdrafts or other forms of borrowing:

“I’m using the Government Help to Save scheme, and I think I’ve saved £400 or £450 in that ... I have got a little bit of savings ... it’s not a lot, but it would buy me a new washing machine if I needed it.”

Grace, lone parent with two children

However, levels of awareness about Help to Save were low. None of the participants in this research had been made aware of the scheme by a Jobcentre work coach or via their UC account or journal:

“I’ve never received a letter that this is the scheme, I’ve never had a call or any email ‘this is the opportunity for you’ or anything like that.”

Naomi, lone parent with one child

Most participants who had an account had found out about the scheme informally, via social media:

“Help to save ...that’s amazing! A friend ... she told me about that ... Our kids are in the same class ... and then I also saw on Facebook, someone shared Martin Lewis’s tweet about it, so I was like that’s really good and I set it up then.”

Naomi, lone parent with one child

On the other hand, some participants who had heard about Help to Save via Facebook thought it was ‘too good to be true’ and treated unsolicited online communication about the scheme as suspicious and potentially fraudulent:

“I keep being told about it and it’s like ... I feel like it’s spam. ... People through Facebook keep messaging me about it, and I’m like, I don’t want to do it because I feel like it’s spam.”

Fiona, couple with one child

Earnings rules were also restrictive. Some of those who knew about the scheme were unable to benefit because they earned less than the monthly threshold of £722.45³⁵ needed to open an account. Others who were interested in applying were unsure if they met the earnings eligibility criteria:

“I’ve heard of it, I don’t think I earn enough anyway. I know you have to earn £600 ... because I’m self-employed, I don’t really know for sure whether that’s just income or whether that’s profit... I’d really like to apply ... but I don’t understand the qualification rules for self-employment.”

Phillipa, single claimant with no children

³⁵ UC claimants need to have had take-home pay of £722.45 or more (with a partner if it’s a joint claim) in the previous monthly assessment period to be eligible.

Household Support Fund³⁶

As reported in our separate policy brief about the Government's Cost of Living Payments,³⁷ among our sample, there were generally low levels of awareness about the additional support available from the Household Support Fund (HSF) and only 12 out of 42 participants (12/42) had been successful in securing help from this source. In most cases, they had received vouchers to top up their gas or electricity prepayment meters or to buy food. Not all participants who had applied for help were successful, although the reasons why they were turned down was not always well-communicated by councils, or fully understood by participants. Households in which someone was earning did, however, seem less likely to be successful. Working families with children were more likely to receive help from this source, possibly reflecting the ring-fencing of the earlier HSF funding tranche.

Among those who were aware of the scheme, several participants had been put off from applying due to lack of time. Others assumed that working households would not be eligible. Both successful and unsuccessful applicants testified to the bureaucratic nature of the claims process. Typically accessed online, application forms were said to be over-long and time-consuming to complete with onerous requirements for demonstrating need and evidencing household income. Eligibility rules adopted by some councils, such as the need for a formal referral to be made by an authorised charity or welfare right organisation, also acted as a barrier and deterrent to working claimants.

That many people were unable to access help from the Household Support Fund is confirmed in national media reports suggesting that all funding tranches were heavily oversubscribed.³⁸ With available funds stretched thin, some councils rejected more than a quarter of applications. Others were forced to close their schemes early due to running out of funds. Research by the Resolution Foundation³⁹ indicated that, to reduce administration costs, four out of five English councils abandoned the discretionary aspect of the scheme in favour of the automatic passporting of vouchers to certain categories of household, such as families getting free school meals and people in receipt of disability benefits. While this benefitted certain categories of claimant, most working households lost out.

³⁶ This section is mainly reproduced from our previous policy brief about the government cost of living help.

³⁷ Griffiths, R. (2022). Universal Credit, Working Claimants and the Government's Cost of Living Support. IPR Policy Brief. https://www.bath.ac.uk/publications/universal-credit-working-claimants-and-the-governments-cost-of-living-support/attachments/Universal_Credit__Working_Claimants_and_the_Govt_s_Cost_of_Living_Support.pdf

³⁸ <https://www.theguardian.com/business/2022/may/15/governments-500m-support-scheme-failing-britains-poorest-households>

³⁹ Handscomb, K. (2022). Sticking plasters: An assessment of discretionary welfare support. <https://www.resolutionfoundation.org/app/uploads/2022/10/Sticking-plasters.pdf>

School uniform grants

Eligibility for help towards the cost of school uniforms, and the amount of help received, varies depending on which nation and local authority area applicants live in. In Scotland, eligible families receive £120 per primary aged child and £150 for a secondary school-aged child. Parents in Scotland who received this help with the cost of school uniforms were very grateful for this support which generally covered all or most of the cost:

“I got ... I think it was £150 for everything. So it definitely covered a massive [part.]”

Rachel, lone parent with two children

In England, where grant schemes are determined by each local authority, the sums received were generally much lower. One parent in the North West of England said they received £25 per child, but many councils had no grant scheme at all. When her child’s school decided to change the uniform part way through the school year, Emily was referred to a local charity for help:

“When [my child] was in her old school, there was a charity who paid for uniform because they changed the colour and I turned round to school, well I can’t afford the new uniform, so [the] charity paid for that.”

Emily, couple with two children

For the majority of parents who were not entitled to help towards the cost of school uniforms, the outlay was significant, particularly if they had more than one school-aged child. Uniforms also needed to be purchased during the summer months when parents sometimes earned less and could face other costs such as childcare or holiday activities. Uniform costs were especially challenging to meet when school shoes and sports clothing, as well as other school items, also needed to be purchased.⁴⁰ Jennifer, a lone parent, described needing to spend at least £300 on both of her children’s school uniforms, a significant sum she could barely afford:

“My son’s school uniform I worked out alone is £70 for the ... trousers, jumpers, so he’ll probably be I’m assuming around £120, £130 by the time I’ve bought shoes, maybe more actually ... shoes, jacket, school bag, lunch bag. And my daughter will be significantly more because her shoes alone are £70.”

Jennifer, lone parent with two children

⁴⁰ Research by the children’s society estimated that parents in England spend on average £422 a year on school uniform for a child at secondary school, and £287 for primary school children. The high cost was partly attributed to branded items that have to be bought from a specialist shop or the school, with pupils requiring an average of three items. Despite the legal obligation for schools in England to review uniform policies, the charity’s survey of 2,000 parents found that 45 per cent said that their child’s school uniform policies had not been reviewed or changed. <https://www.childrensociety.org.uk/what-we-do/our-campaigns/cut-the-cost-school-uniforms/ealing>

Having applied for support through her local council, she was told she was ineligible because her earnings were too high. After contacting the council to explain the financial hardship this would cause her, she was still refused help:

“I’ve been declined the clothing grant from the council because they say that my earnings are too high.... It’s £600 a month [the earnings threshold] ...and I did actually phone the council and speak to them, I said you know I’ve got a six-year-old and a 16-year-old, they both require full school uniform, but they just said there’s nothing they can do, that’s the way it’s means-tested.”

Jennifer, lone parent with two children

In Wales, the support for the costs of school uniforms was more consistent, although there are earnings limits. Here, UC claimants earning less than £7,400 per year (the same threshold as applies to free school meals) were eligible for support at the rate of £120 per year, per child in Years Five to 11 and £200 for children entering Year Seven (secondary school).

Pre-school-aged children can also be required to wear uniforms. However, it is unclear whether grants are available for younger age groups. Some parents in our sample were reassured to find out that the nursery school their child would be attending allowed items to be purchased in a supermarket, reducing the cost:

“My little girl will be starting nursery in September and I’ve been a bit worried about the cost of like uniform and stuff, but then they say that she could just have any supermarket stuff, it doesn’t need to be special stuff. So we’re fine for now.”

Zoe, lone parent with one child

Scottish Child Payment

Three participants in this research were in receipt of the Scottish Child Payment (SCP) and a further two had applied for it following its extension in December 2023 to all children up to the age of 16. Currently worth £26.70 per week per child, and with no limit on the number of eligible children or on household earnings, the payment provides a sizeable boost to the household budgets of eligible families in receipt of UC:

“We’ve got something called the Scottish Child Payment ... It’s for children under five, but ... it’s going to be rolled out to every child under 16 in Scotland ... So it does make a big difference ... it gets paid every fourth Monday and ... it’s a good thing for people in Scotland because it will cover stuff that you otherwise wouldn’t be able to afford.”

Megan, couple with two children

Although the earnings limit for SCP has been abolished, the payment itself is still means-tested. A nil award in any assessment period due to recorded earnings exceeding the entitlement threshold for UC, will therefore result

in the loss of entitlement to SCP that month. None of the study participants who received SCP had lost entitlement in this way during the period of data collection. However, loss of SCP due to an increase in monthly pay as recorded by HMRC's RTI system, where earnings may not have actually increased, was highlighted by the Child Poverty Action Group (CPAG) in a recent submission to the Scottish Parliament Social Justice and Social Security Committee.⁴¹

Social tariffs and help paying utility bills

Help with broadband and phone bills

Help with mobile phone and broadband charges was hit and miss. At the time of the research, only a small number of providers offered social tariffs and the ability to access them depended on the length and terms of existing contracts. Few participants in this research were therefore benefitting:

“Unfortunately ... [it's] a less[-er]-known brand ... so they don't actually provide anything like that. We have asked them multiple times but they've said ... move to BT but obviously we can't because there's exit fees ... so we're kind of just stuck with that, we've got no other option and the wifi's quite slow, so it's horrible!”

Zara, couple with one child

In the main, people were unaware that discounted packages and lower-priced contracts were available to UC claimants.

Help with energy bills

Approximately half the sample had been successful, at some point in time, in applying for reductions and discounts on their gas or electricity bills. However, this had mainly been when they, or their partner, were unemployed or ill and when the Warm Home Discount Scheme had been less restrictive (see below). Some had also received help due to being in receipt of (non means-tested) disability benefits or having a large family. Other than the help provided by Government's Energy Bills Support Scheme (EBSS)⁴², few had been able to access financial support with energy bills when they were earning.

⁴¹ Scottish Child Payment: Submission by Child Poverty Action Group (CPAG), May 2024. p.5. <https://www.parliament.scot/-/media/files/committees/social-justice-and-social-security-committee/scottish-child-payment/child-poverty-action-group--scottish-child-payment.pdf>

⁴² Under the EBSS, all households with a domestic electricity connection (and/or a domestic electricity meter) received a £400 non means-tested, non-repayable grant as a credit from their energy supplier. The grant was paid in monthly increments to eligible households over a six-month period from October 2022 to March 2023. Bill payers were automatically eligible and did not need to apply for it.

Levels of awareness about social tariffs and other help with bills were generally low. Eligibility criteria were also restrictive, debarring, in many cases, all but the poorest households. Only certain utility providers appeared to offer reductions on the grounds of low income. Some participants who were struggling to clear arrears had been issued with energy vouchers by their local council, probably using funding from the Household Support Fund. Word of mouth and social media appeared to be the main channels through which people got to hear about this help:

“I got £250 off the council the other day on a bank card which poor people like me are entitled to because we’re on UC and [my partner] weren’t working at the time. It was just in time ... [My partner] hadn’t started working when I applied, but if I applied two weeks later, I wouldn’t have got it. So I was lucky that someone told me up at the shop.”

Emma, couple household with two children

Only participants who were unemployed at the time appeared to be eligible for HSF help; most working claimants who had applied to their local council for assistance had been turned away.

Warm Home Discount

Twenty-two participants said that they were getting, or had previously received, the Warm Home Discount but, for all of them, this had been in the past. For those who had benefitted from previous schemes, the annual discount of around £150 was greatly appreciated, helping to prevent several from falling into arrears. However, no-one in this research had been awarded the discount since eligibility criteria and application procedures changed in 2022/23, restricting help to people living in older properties verified as having low levels of insulation and energy efficiency.

WaterSure and help with water bills

Eleven participants in England⁴³ said they had received a discount on their water bill, generally via the WaterSure scheme, due to having three or more children and/or have medical conditions which significantly increased water usage. Entitlement meant that the bill was capped at no more than the average metered bill for the area, but the amount of discount varied depending on the water company. The reduction was very much appreciated by those who received it and could cut water bills by half, sometime significantly more. One participant was paying as little as £1 a month.

Most found out about the WaterSure scheme through social media or word of mouth. No-one had been made aware of the scheme via their Jobcentre work coach, UC account or journal:

⁴³ Water rates in Scotland are included in Council Tax.

“We’ve had to claim for water help and stuff, you’ve got to do it all separate ... like the [work] coach doesn’t contact you and say, do you know about this? ... They’ve never sent me a message saying, do you know you could be entitled to a water thing ... It’s information I know from work ... I think they should be telling people.”

Ellen, couple with three children

Though grateful for the help, Ellen was concerned how she would afford their water bill when they no longer had three children living at home and would lose eligibility for WaterSure:

“It’s £32 or £33 a month [we pay] ... which I appreciate so much ... but I think once ... the oldest one comes out of college, because we won’t have three kids, then it would go back up, so [we’ll have to] train the three-year-old to not run the tap every five seconds!”

Ellen, couple with three children

Other participants classed as ‘vulnerable,’ or with serious arrears, had set up low-cost payment plans with their water company. However, getting the help was far from easy and needed time and persistence. Eligibility for help required applicants to have accessed support and advice from a charitable debt advice agency such as Citizens Advice. The process was also bureaucratic and slow, entailing the completion of monthly income and expenditure forms:

“With the water people, I had to contact CAB [(Citizens Advice)], it took god knows how many weeks to go through this entire thing, of them sending and then applying to Thames Water Board, all this ... to actually get money knocked off the bill.”

Jack, single claimant with no children

Jack was obliged to reapply every few months to keep receiving the discount on his water bill. As someone with a learning difficulty, the form filling was challenging:

“I have to just check when it ... stops... it’s a difficult one to kind of navigate. I’ve got to read through all the letters ... That’s just a pain keeping on top of... I’ve got hopeless dyslexia. The application takes me longer than anything else I have to do, it will literally take me a day to work out outgoings, incomings ...I’ve got to calculate and work through.”

Jack, single claimant with no children

It was especially hard for those who were working to find the time to access this help. Simple inability to get through on the phone prevented some from benefitting:

“They want to see that the debt agency has supported you through this to sign it off before they even let you go on their plans.... But [you] can’t get through to them... they’re too busy and I’m working.”

Teresa, lone parent with one child

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Conclusions, policy implications and options for change

Conclusions, policy implications and options for change

For eligible working households, additional sources of means-tested help with essential living costs which supplement earnings top-ups from UC have become an ever-more important component of the household budget. Increasing reliance on this help reflects both the failure of wages and working-age benefits to keep pace with inflation over many decades, together with the unprecedented rise in living costs in recent years. Our research shows that, for working claimants with low earnings and low hourly rates of pay, any additional support they can get is highly valued, acting as a vital safety net in times of increasing need. In the absence of a substantial rise in benefit levels and/or wage rates, sources of means-tested help which currently sit outside Universal Credit are therefore likely to continue playing a crucial role in supporting the living standards of working individuals and families for the foreseeable future.

However, this patchwork of independently administered schemes has grown with little strategic overview. With few automatic entitlements and limited statutory obligations on administering authorities, it is generally left to the designated government department, devolved administration, local council or utility provider to determine policies, raise awareness of their schemes and decide whether and how much help any particular applicant in any particular year, may get. Whether people know about, are entitled to, able to apply for and successfully awarded this help can therefore be a hit-and-miss lottery of postcodes, personal circumstances and happenstance, creating barriers to access and administrative burdens for claimants. Moreover, the schemes are burdensome and can be costly for administering authorities to deliver, particularly when claimants' income levels frequently change.

This growing trend towards piecemeal, often discretionary, forms of assistance, all with their own eligibility criteria, means tests and earnings thresholds also adds complexity to the social security landscape, countering UC's goal of simplification. Different entitlement rules and income thresholds undermine the policy rationale of having a single taper rate as earnings rise, making it hard for claimants to calculate or reliably estimate the financial impact that working longer and earning more will have. Monthly means testing in UC compounds this difficulty. Work incentives are inevitably impacted. High value and much-needed sources of means-tested help that are withdrawn, sometimes simultaneously, when income rises above a certain level can leave people financially worse off, undermining UC's fundamental goal of 'making work pay.' Evidence from this research suggests that the uncertainty and potential loss of household income can influence some claimants' decisions about whether, when and how much to work and earn.

What can be done?

As part of a longer-term strategy, our key recommendation would be for a comprehensive review to be conducted of the additional benefits, schemes and discounts which sit outside the main working-age benefits, exploring their interaction with UC and their effects on work incentives and employment behaviours. The last independent review examining the role of passported benefits was conducted in 2012, prior to the introduction of UC. At that time, the SSAC highlighted the absence of an “overarching coherent strategy” governing the interaction between UC and other means-tested help. More than a decade later, little has been done to address this. Nor, in the intervening years, has the Committee’s recommendation for assessing the impacts on take-up, in-work incomes and employment behaviours, been followed up.

The SSAC review, moreover, covered only passported benefits such as free school meals and prescription charges. A crucial omission was consideration of the abolition of Council Tax Benefit and the potential impact that localised Council Tax Reduction schemes would have on household finances and work incentives. Nor was consideration given to monthly assessment in UC and its effects on claimants whose monthly earnings may fluctuate. These gaps need to be addressed. The recent intensification of work conditionality and significant increase in the administrative earnings threshold, obliging UC claimants to earn more as a requirement of benefit receipt, also needs to be included as part of any future review.

Simplify and standardise eligibility and entitlement rules to reduce complexity, increase take-up and support work incentives

The overall aim of any review should be to simplify and streamline eligibility and application rules to increase take-up by reducing complexity and with a view to more explicitly supporting work incentives. Particularly important is the need to better align the different means tests. A crucial element of this would be to address the low and variable earning thresholds applying to the different schemes, many of which have not been increased in recent years, and to institute a system of annual uprating pegged to inflation or another agreed metric. Schemes, such as Healthy Start, which have a fixed monetary value, should also be uprated annually in the same way as UC allowances and other benefits are.

To remove the disincentive effects of cliff edges, fairer and more consistent methods are also needed for withdrawing support as earnings increase. As suggested in the SSAC’s 2012 review, consideration should be given to the feasibility of tapering the withdrawal of means-tested help more gently as earnings rise. A single rate taper which removed entitlement gradually and offered greater transparency and assuredness to claimants of how much better off they would be when earnings increased was, after all, part

of the underlying logic of UC. The feasibility of income banding and/or entitlement run-ons for a period of time after eligibility has ceased should also be considered. This would help to avoid situations in which people with fluctuating earnings are yo-yoed in and out of entitlement when income rises above a threshold in one month, only to fall below it subsequently.

Abolishing earnings limits for certain schemes, such as those targeted on families with young children – as the Scottish Government has done with Best Start Foods and Best Start Grant – should also be considered. As called for in our main report, the UC taper rate and work allowance also need reviewing. A reduction in the UC taper, increase in work allowances and reinstatement of work allowances to all UC claimants, would help to compensate for the loss of entitlement to other means-tested help as people move into work and earnings rise. Raising awareness of and extending social tariffs offered by some telecoms, broadband and water companies to other utility providers would also help working households on UC to get by.

Reduce the income volatility and disincentive effects of Council Tax Reduction schemes

While the relative importance of specific schemes to individual households will vary depending on their circumstances, some forms of support can be viewed as particularly important due to their wider relevance and relative worth to (prospective) recipients. Given their capacity to affect in-work incomes – both for the better and the worse – Council Tax Reduction (CTR) schemes warrant particular scrutiny. CTR schemes are the responsibility of each local authority. As such, the amount of reduction in council tax to which low-income people may be entitled, and the extent to which their liability varies with changes in earnings, is something of a postcode lottery.

Institute for Fiscal Studies (IFS) research indicates that integrating council tax support into UC would mean practically no workers facing a marginal tax rate above 75 per cent⁴⁴. However, with little prospect that council tax support will be absorbed into UC in the near future, efforts should be made to reduce the range and arbitrariness of the myriad of CTR schemes operating in different parts of the country.

Councils should also be encouraged to reduce the disincentive effects of their schemes on work and earning more and the income volatility which can arise due to low income thresholds and the rapid loss of entitlement when monthly earnings rise. And while automation can bring cost savings for councils, as the evidence here shows, monthly changes in entitlement can also create income volatility for claimants whose earnings fluctuate. Consideration needs to be given to ways to mitigate these effects. Income-banded schemes have been adopted by some councils as a means of both

⁴⁴ Ray-Chaudhuri, S. and Waters, T. (2024). Universal credit: incomes, incentives and the remaining roll-out, p.4. <https://ifs.org.uk/sites/default/files/2024-06/Universal-Credit-Income-incentives-and-remaining-rollout-Institutue-for-Fiscal-Studies-Report.pdf>

cutting administration costs and reducing the income volatility caused by 'pound for pound' schemes. Such initiatives should be encouraged, along with the sharing of experiences and good practice.

Review and extend free school meals to a wider group of UC claimants

Free school meals are another key policy area that is ripe for reform, particularly in the context of the Government's recently established Child Poverty Unit and ministerial taskforce, set up in July 2024, to work on a new child poverty strategy⁴⁵. The IFS has costed different options and trade-offs attached to the reform of free school meals.⁴⁶ Expanding eligibility to all state school primary pupils would cost about £1 billion a year, about the same as it would cost to offer free school meals to all state school pupils, primary and secondary, whose families claim UC.

An alternative, less costly, option would be to increase the household earnings threshold for free school meals eligibility. Raising the threshold to £20,000 a year, as proposed in the National Food Strategy,⁴⁷ would cost around £425 million a year but bring about 900,000 more children into eligibility. This would mean that around two-thirds of children whose families get UC would qualify for free school meals. Without an increase in the threshold, parents currently in receipt of free school meals, whose household earnings are above the current limit, will lose their entitlement when transitional protection ends on 31 March 2025, or the point the child finishes their current phase of education if this is later.

Changes to the conditionality regime for UC could also reduce the number of parents entitled to free school meals. When the free school meals earnings threshold of £7,400 was introduced in 2018, it was equivalent to working around 18 hours per week at the then national minimum wage. With the threshold frozen since then, from April 2024 it will be equivalent to working only around 12 hours per week at the NLW. This means that the free school meals eligibility threshold is well below the current administrative earnings threshold of £892 per assessment period for single claimants and £1,437 for couples – equivalent to an individual working around 18 hours per week or couples working around 29 hours per week. Only parents with limited capacity for work, caring for a disabled child and/or with a youngest child under the age of three are able to earn less than the AET without being required to increase their earnings. Changes to the conditionality regime, in combination with the currently low earnings threshold for free school meals, mean that far fewer low-income families are likely to qualify for help in the future than has been the case historically;

⁴⁵ <https://www.gov.uk/government/news/ministerial-taskforce-launched-to-kickstart-work-on-child-poverty-strategy>

⁴⁶ Cribb, J. et al. (2023). The policy menu for school lunches: options and trade-offs in expanding free school meals in England. <https://ifs.org.uk/sites/default/files/2023-03/The-policy-menu-for-school-lunches-options-and-trade-offs-in-expanding-free-school-meals-in-England.pdf>

⁴⁷ National Food Strategy (2021). Recommendations in Full. <https://www.nationalfoodstrategy.org/wp-content/uploads/2021/07/National-Food-Strategy-Recommendations-in-Full.pdf>

a further reason why free school meals policy needs reviewing.

Another way of making school meals more affordable for low-income working families who do not qualify for free school meals would be to increase the UC work allowance. Working tax credit compensated families for the withdrawal of free school meals at the point someone began working 16 or more hours per week. At the current national living wage of £11.44 per hour, this would equate to an annual income of £9,518, appreciably higher than the current threshold of £7,400. A significant increase in the UC work allowance (for families with children) would therefore be needed if parents earning just above the threshold were to be similarly compensated. Another drawback is that there is no guarantee the additional income would be used to pay for school meals, particularly if there were other pressures on household budgets. This is another reason why free school meals are a more cost-effective way of supporting low-income families and of ensuring children have access to a nourishing meal each day.

Better awareness raising, signposting, auto-enrolment and automatic passporting

Increasing take-up and efficiency through reducing administrative burdens, smarter signposting (rather than simply through generic online information pages) and greater automation in the administration and payment of entitlements and awards is another priority. Most means-tested schemes operate autonomously with no systematic cross-referencing between their systems and UC. Smarter and more automated communication and awareness raising could systematically and regularly alert potential beneficiaries to the wide range of sources of means-tested help available. There is also significant untapped potential for greater use of technology in the identification and enrolment of eligible claimants.

Much better use could also be made of the UC account and journal. DWP guidance encourages Jobcentre Plus work coaches to make UC claimants aware of any wider support to which they may be entitled. However, not all advisers may know about the different schemes or their eligibility criteria. Claimants who are in the 'light touch' and 'working enough' groups, furthermore, may have little or no contact with Jobcentre Plus staff. For those who do, high staff caseloads, a focus on work conditionality and inadequate training often preclude the offer of tailored benefits advice. Automated alerts, both when people first apply for UC and during the period of entitlement, could help raise awareness of the different schemes, enabling them to click a link taking them to relevant web pages and online application forms.

The websites and online platforms of the different schemes also need reviewing to ensure working people are not discouraged from applying. The NHS website providing guidance for UC claimants seeking help with health costs, for example, only covers the eligibility criteria and earnings threshold for free NHS prescriptions and dental treatment. There is no information about the NHS Low Income Scheme which could be of particular benefit

to working claimants whose monthly earnings exceed the current monthly threshold.

Most of the schemes also require people to have prior knowledge and to opt in. Take-up could be improved through auto-enrolment and automatic passporting of entitlement. One of the reasons for the effectiveness of the Government's Cost of Living support was the fact that eligibility was assessed, and payments made, automatically, without claimants having to know about the help or make a claim. Initiatives such as the Department for Education's Eligibility Checking Service (ECS), designed to increase the take-up of free school meals – which automatically monitors eligibility without requiring parents to reapply or resubmit paper proof of entitlement⁴⁸ – are making important in-roads into this area. A number of council-driven schemes to auto-enrol pupils for free school meals are also being piloted.⁴⁹ The feasibility of automating Council Tax Reduction as a means of increasing take-up among UC claimants is also being explored by some local authorities.⁵⁰ Good practice from such initiatives should be promoted and shared more widely.

Going forward: making work pay and the new child poverty strategy

To date, the Department for Work and Pensions, and the previous Government, have been reluctant or unable to commit to any particular actions regarding greater streamlining and integration between UC and other forms of means-tested help. In response to the concerns raised by the SSAC about the potential risks of increasing the AET, the DWP's position was that it does not own the policies for passported benefits so cannot change eligibility rules, although there was an undertaking "to work with the owners ... to ensure our aims align as much as possible to make work pay."⁵¹

With a new administration now at the helm, the greater impetus for change may provide an opportunity for more government-driven reform. Our recommendation would be for the interaction between UC and other means-tested support to be included as part of the formal review into Universal Credit and the endeavour to 'make work pay' that was pledged in the Labour Party manifesto.⁵² If retained, recent changes to the AET – which have effectively doubled the number of hours a claimant must work or job

⁴⁸ <https://cy.theyworkforyou.com/wrans/?id=2023-11-20.2633.h>

⁴⁹ Policy in Practice (2024). LIFT case study. https://policyinpractice.co.uk/wp-content/uploads/Case-study-FSM-London_Jun2024.pdf

⁵⁰ Charlesworth, C. et al. (2022). Moving towards automation of Council Tax Support. https://policyinpractice.co.uk/wp-content/uploads/Moving-towards-automation-of-Council-Tax-Reduction_Policy-in-Practice_Feb23.pdf

⁵¹ <https://assets.publishing.service.gov.uk/media/66267a881cbbb3400ba7e5b1/universal-credit-transitional-provisions-amdt-regs-2024-accessible.pdf>

⁵² Change: Labour Party Manifesto 2024, p.78. <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

search as a condition of benefit receipt – make the need for more informed understanding of these links all the more pressing.

We would also endorse the SSAC’s recommendation for focused research to be conducted into the relationship between UC, means-tested support, in-work incomes and employment behaviours. Only limited evidence is presented here. Overall, the evidence base is thin; very little is known about the extent to which (loss of) entitlement to additional means-tested help affects household income or influences decisions about employment, working hours and earnings. Further research would also help inform the work of the Government’s new Ministerial Child Poverty Taskforce⁵³ and Child Poverty Unit which are exploring “levers related to household income as well as employment” as part of a new child poverty strategy.⁵⁴

⁵³ https://assets.publishing.service.gov.uk/media/66bcd86bc32366481ca490d5/Child_poverty_taskforce_terms_of_reference.pdf

⁵⁴ <https://www.gov.uk/government/news/ministerial-taskforce-launched-to-kickstart-work-on-child-poverty-strategy>

Annex 1

Main passported benefits and means-tested schemes in England, Scotland and Wales

Best Start Foods (Social Security Scotland)

Best Start Foods is a means-tested payment, issued as a prepaid card, that Universal Credit (and legacy benefits) claimants living in Scotland who are pregnant, or have a child under three, can use in shops or online to buy healthy foods such as milk or fruit. The payments for 2024/25 are £21.20 every four weeks during pregnancy, £42.40 every four weeks from the birth of the child up until one year old, and £21.20 every four weeks when the child is between the ages of one and three. The payment is applied for online, by phone or by post, as soon as the claimant knows they are pregnant, or up until a child turns three years old.

Prior to 2024, for those on UC, net household earnings (after tax, National Insurance and pensions contributions) needed to be less than £726 per month. However, on 26 February 2024, the earned income limits were abolished. Claimants must still be in receipt of UC, but there is no earnings threshold. If UC entitlement stops, Best Start Foods continues for a further eight weeks.

Best Start Grant (Social Security Scotland)

Best Start Grant is a series of means-tested payments that help towards the costs of a new baby or looking after a child. The grant is made up of three payments. The Pregnancy and Baby Payment is worth £754.65 for the first child and £377.35 for any subsequent children. It can be applied for online, by phone or by post any time after the 24th week of pregnancy until the baby is six months old. Separate rules apply in the case of adoption. The Early Learning Payment is £314.45 per child and can be spent on anything needed for the child before they start school (the child does not need to go to nursery). It can be applied when the child is aged between two and three years and six months old and is payable for multiple children. The School Age Payment is worth £314.45 per child to help with the costs of preparing for school when children are old enough to start primary school. Together, the Pregnancy and Baby Payment, Early Learning Payment and School Age Payment are worth £1,384 for a first child and £1,006 for each subsequent child.

Anyone living in Scotland and in receipt of UC (or legacy benefits) can apply for the grants. People getting Scottish Child Payment generally receive Best Start Grant Early Learning Payment and Best Start Grant School Age Payment automatically. Earned income is now disregarded in full as long as

the claimant is receiving UC (or legacy benefits) on the day of application. If UC has stopped, those who apply for a Best Start Grant within one month of the last day of an assessment period for which there was an award of UC, are still eligible to receive the payment.

Childcare for disadvantaged two-year-olds (Department for Education)

Disadvantaged two-year-olds in England receive free childcare for 15 hours per week if their parent is in receipt of UC (or other legacy means-tested benefits), regardless of whether the parents are working or not. There may be extra charges for meals, nappies or trips. If the parent is working, net earned household income should be no more than £15,400 a year to qualify. To take account of fluctuating earnings, a system similar to that used for assessing free school meals is used. However, the earnings limits are higher: £1,283.34 in the first month, £2,566.67 over two months or £3,850 over three months (see the free school meals section for details of checking net earnings over a maximum of three assessment periods). There are other (non means-tested) circumstances where two-year-olds can receive free childcare such as being looked after by a local authority, having an education, health and care (EHC) plan or being in receipt of a disability benefit, or if they have left care under an adoption order, special guardianship order or a child arrangements order.

A similar scheme for disadvantaged two-year-olds operates in Scotland. However, the household earnings threshold is lower – £796 per month. In Wales, childcare is free for two-year-olds for families who live in a ‘Flying Start’ area for 12.5 hours per week in term time, regardless of whether they are on UC or not and how much they earn. Flying Start areas have high levels of social and economic disadvantage. There are plans to gradually extend Flying Start to all areas of Wales.

Council Tax Reduction Schemes (Local councils)

Council Tax Reduction (CTR) schemes, sometimes called ‘council tax support’, are locally delivered, means-tested reductions in council tax that came into being with the abolition of Council Tax Benefit when Universal Credit was introduced in 2013. The initial intention was that this form of council tax support would be included in UC. However, the localism agenda of the Coalition Government took precedence and the design, administration and costs of CTR schemes were devolved to local councils. As a result, there are now 296 separate schemes in operation in England. Details of individual schemes, including eligibility criteria, are available on each council’s website.⁵⁵ Separate regulations and schemes apply in

⁵⁵ <https://www.gov.uk/apply-council-tax-reduction>

Scotland and Wales. Entitlement in Scotland and Wales is more closely aligned to the previous Council Tax Benefit.

Localising council tax support was intended to devolve power from central to local government, giving councils and devolved administrations increased financial autonomy and the ability to develop their local economies, including supporting the incentive to work among working-age residents. Policies regarding eligibility criteria, the amount of help provided and the treatment of earnings therefore vary depending on where people live. In England, central government funding cuts have meant that, over time, many councils have refocused the support on meeting the needs of their most vulnerable residents. Most have introduced a minimum payment requiring working-age people to pay at least some council tax regardless of income. Many have also reduced or removed the second adult rebate which reduced council tax for households with a second adult on a low income. Support for in-work households has also reduced. An independent review of local council tax schemes in 2016 noted that “there is no evidence that [CTR] schemes function as a work incentive”.⁵⁶ A Government response in 2018 said there were no plans to integrate the support into UC.⁵⁷

Research by the New Policy Institute (NPI)⁵⁸ in 2021 showed that only a minority of councils provided levels of support similar to the former Council Tax Benefit. Huge variation between schemes was also noted, with policies continuing to change year to year. Most schemes reduce entitlement ‘pound for pound’ for each additional pound of net household earnings. Others use fixed income periods in which the help provided remains in place for a set period (often six months or the remainder of the financial year, whichever is shorter). Any changes in earnings or UC entitlement during the fixed income period does not affect the amount of the reduction, or the amount of council tax liability, regardless of whether household income increases or decreases. Low-income residents whose income reduces during the fixed income period, and who are suffering serious financial hardship, may be entitled to apply for discretionary financial help under exceptional hardship payment (EHP) schemes, if their local council offers one, or a discretionary housing payment (DHP),⁵⁹ depending on their circumstances.

⁵⁶ Ollerenshaw, E. (2016). Three Years On: An Independent Review of Local Council Tax Support Schemes. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_-_review_report.pdf

⁵⁷ Ministry of Housing, Communities & Local Government (2018). The Government response to an Independent Review of Local Council Tax Support Schemes. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/676786/LCTS_Government_Response.pdf

⁵⁸ Ayrton, C. et al. (2021). Review of Council Tax Reduction schemes in England in 2021/22. <https://npi.org.uk/publications/council-tax/review-council-tax-reduction-schemes-england-202122/>

⁵⁹ Claimants who are entitled to the housing element of UC and face a rent shortfall or are struggling to pay housing costs may be able to apply for a Discretionary Housing Payment (DHP). Each local authority administers its own DHP scheme so eligibility criteria, application procedures and amounts awarded vary by location.

Research commissioned by the Welsh Government⁶⁰ showed that award levels for households in receipt of UC were generally lower than they were for legacy benefits. The analysis also found that the interaction between UC and CTR has increased scheme administration costs for councils and amplified income insecurity for claimants. Households on UC experienced four times as many changes in their CTR entitlement over a year compared to households in receipt of legacy benefits. This was due to more frequent reassessments of awards stemming from the monthly assessment of UC, particularly affecting working claimants with fluctuating earnings. Reassessment can result in householders being sent a series of revised award notices and bills, causing budgeting difficulties for claimants, increased council tax arrears and higher administration costs for councils.

A consultation exercise in 2024, by the Welsh Government, proposed to improve the links between UC and Council Tax Reduction schemes by enabling councils to treat an 'intention to claim' in the Department for Work and Pensions Universal Credit Data Share as an automatic application, without the need for separate form filling by the claimant. This, it is hoped, would help to proactively identify eligible residents and reduce the administrative requirements placed on them. The proposal was accepted and the change to the regulations will come into force on 1 April 2025.

Banded schemes, based on property rating and/or levels of income, have become increasingly common. Banded schemes require residents to pay a proportion of their council tax depending on their property rating or income band. Small changes in earnings which leave residents in the same income band do not generally trigger a change in the amount of CTR. Recent research by Policy in Practice found that councils were increasingly looking to adopt income-banded schemes as a means of both cutting administration costs and reducing the income volatility caused by 'pound for pound' schemes. While schemes in which changes in monthly earnings reduce CTR entitlement 'pound for pound' remain in place in the majority of councils, an annual review of Council Tax Reduction schemes by 'Entitledto' showed that in 2023/24, the proportion of councils with income-banded schemes had risen to around 30 per cent, double the number in 2019.⁶¹

Some councils also operate schemes for UC claimants only which run alongside those for non-UC claimants. Access to Universal Credit Data Share (UCDS) records, which contain details of UC claimants and their monthly earnings, has facilitated this, allowing for greater automation concerning the verification of eligibility and entitlement, including automatic adjustment of CTR when net monthly earnings change. Nevertheless, the amount of reduction to which working householders may be entitled, and the extent to which their liability for council tax varies with changes in earnings, remains something of a postcode lottery.

⁶⁰ Aston, J. et al. (2020). Understanding the impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales <https://www.gov.wales/sites/default/files/statistics-and-research/2020-07/universal-credit-council-tax-reduction-scheme-and-rent-arrears-wales-final-report.pdf>

⁶¹ entitledto (2023). Review of Council Tax Reduction Schemes in 2023/24. <https://democracy.bathnes.gov.uk/documents/s78718/Review%20of%20Council%20Tax%20reduction%20Schemes%20in%202023%2024.pdf>

Free school meals (Department for Education)

In England

All children in Reception, Year One and Year Two receive free school meals if they attend a government-funded school in England. After this age, parents can claim free school meals for their children if they are on UC (or legacy benefits) and their household net earned income is less than £7,400 a year (£616.67 per month), a threshold introduced in 2018. Different thresholds apply for those on legacy benefits. Entitlement to claim UC is lost as soon earnings rise above this level.⁶²

Eligibility checking arrangements are in place to assess the income of UC claimants and to take into account fluctuating earnings. Applicants are first checked for monthly net earned income not exceeding £616.67 in their most recent UC assessment period. If they meet this criterion, they are eligible for free school meals. If their earned income exceeds £616.67 for their most recent assessment period, the claimant will be checked for net earned income not exceeding £1,233.34 in their two most recent assessment periods. If their earned income exceeds £1,233.34, the claimant will be checked for net earned income not exceeding £1,850 in the three most recent assessment periods.

For self-employed UC claimants, a manual check is required to determine eligibility, including the claimant providing: confirmation that they are in receipt of UC; a copy of their company registration or tax return; and evidence that monthly net earnings do not exceed the above threshold. Responsibility for checking the eligibility of applicants for free school meals rests with the individual school.⁶³ To receive free school meals, a claim must be made by the pupil, their parent or another responsible adult.

As part of a package of transitional arrangements, UC claimants already receiving free school meals at the point the current threshold was introduced (April 2018) are protected while UC is rolled out. Once eligible for free school meals, recipients can continue to receive them until 31 March 2025 or until the end of their current phase of education, if this is later. After March 2025, any existing claimants that no longer meet the eligibility criteria at that point (either because they are earning above the free school meal threshold or are no longer a recipient of UC) will continue to receive free school meals until the end of their child's current phase of education (whether primary or secondary).

⁶² See below – temporary transitional arrangements are currently in place which suspend the earnings threshold for parents already in receipt of free school meals

⁶³ Department for Education (2024). Free school meals. https://assets.publishing.service.gov.uk/media/65fdad5965ca2f00117da947/Free_school_meals.pdf

If children are receiving free school meals, this can additionally trigger eligibility for the Holiday Activity and Food (HAF) programme. Administered by local authorities, the HAF programme started in 2018, expanding to all councils by 2021, to provide food and activities to children and young people during the school holidays. The HAF programme is for children in primary or secondary schools who receive benefits-related free school meals, although there is some flexibility to provide free access to other children. From 2023/24, and now extended to 2024/25, all state primary school children in London also receive free school meals to help with the cost of living crisis.

In Scotland

All children up to Year Five receive free school meals. After this age, parents can continue get them if the family receives UC and their monthly income in the previous assessment period is not more than £796. There is no transitional protection in Scotland. A local authority-administered holiday meals scheme offers access to free school meals in the form of vouchers or food parcels (depending where people live) to families eligible for free school meals.

In Wales

From 1 April 2019 there is a UC earnings threshold of £616.67 a month (based on 1/12 of an equivalent annual income of £7,400). The threshold applies to earnings calculated over the previous one, two or three UC assessment periods. Wales is gradually rolling out free school meals to all primary school-aged children and the aim is that all primary school-aged children will receive free school meals by the end of 2024. The Welsh Government also provides vouchers, grants or packed lunches during school holidays to those eligible for free school meals, but support varies from area to area.

Free school meals are a highly cost-effective way of supporting low-income families. This is because the cost to governments of providing free school meals is much lower than the amount that the parent would have to pay from earnings after tax and National Insurance. For a family with more than one school-aged child, having to fund the cost themselves can make a large dent in the monthly household budget. Free school meals also confer significant benefits for schools. For each pupil getting free school meals, a Pupil Premium is payable to the school. In 2024, Pupil Premium was worth £1,480 per primary school pupil and £1,050 per secondary school pupil.

School meals which have to be purchased are also more expensive for Universal Credit claimants than households without income-related benefits, because UC entitlement is withdrawn at a rate of 55p for every additional £1 earned above any work allowance to which they may be entitled. According to analysis by Policy in Practice, in 2022, the cost of one school meal for UC claimants earning over the free school meal threshold

was £5.20, compared to the cost to the Government of £2.34.⁶⁴ For UC claimants paying tax and National Insurance on their earnings, the cost of a free school meal was higher still, at £5.98. Institute for Fiscal Studies (IFS) analysis similarly shows that once parents reach the £7,400 cliff edge and lose free school meal eligibility, they must earn more than double the annual cost of £480.70 per child⁶⁵ to increase their overall income by an equivalent amount. A family with two children getting free school meals and earning just below the £7,400 threshold would therefore need to earn an additional £2,331.44 per annum in gross earnings to make up for the loss of entitlement,⁶⁶ while for a family with three children getting free school meals, an increase of £3,000 in gross earnings would be needed to make up the shortfall. These are significant disincentives to a small increase in hours or a move to slightly better paid work. Uncertainty about what will happen when earnings increase by small amounts, the IFS cautions, adds to a general cloud of uncertainty when low-income parents are making decisions about how many hours to work and how much to earn.⁶⁷

Government Cost of Living Payments⁶⁸ (Department for Work and Pensions and HM Revenue and Customs)

Announced by the then Chancellor of the Exchequer, Rishi Sunak, on 26 May 2022, and designed to provide targeted support to around eight million low-income households, the Government's Cost of Living Payment of £650 was paid in two lump sum instalments to households in receipt of Universal Credit and other qualifying means-tested benefits from 2022 to 2023. Payments were automatically passported, based on existing benefit entitlement, into the bank account where claimants normally received their UC. The payments were tax free, had no impact on other benefits and did not count towards the benefit cap⁶⁹.

⁶⁴ <https://policyinpractice.co.uk/free-school-meals-should-be-extended-to-all-households-on-universal-credit/>

⁶⁵ This is the annual amount currently allocated by the DfE for each eligible child in receipt of free school meals.

⁶⁶ <https://policyinpractice.co.uk/free-school-meals-should-be-extended-to-all-households-on-universal-credit/>

⁶⁷ Cribb, J. et al. (2023). The policy menu for school lunches: options and trade-offs in expanding free school meals in England. <https://ifs.org.uk/sites/default/files/2023-03/The-policy-menu-for-school-lunches-options-and-trade-offs-in-expanding-free-school-meals-in-England.pdf>

⁶⁸ Our separate policy brief covers participants' experiences of the Government's Cost of Living Payments. Griffiths, R. (2022). Universal Credit, Working Claimants and the Government's Cost of Living Support. IPR Policy Brief. https://www.bath.ac.uk/publications/universal-credit-working-claimants-and-the-governments-cost-of-living-support/attachments/Universal_Credit__Working_Claimants_and_the_Govt_s_Cost_of_Living_Support.pdf

⁶⁹ Introduced in 2015, the benefit cap limits the maximum amount of working-age benefits (including Child Benefit) that a household can receive. In 2023/24, the benefit cap was £25,323 per annum in London and £22,020 per annum elsewhere. UC claimants with earnings are exempt from the benefit cap if their household has net earnings of £722 per month or above. A household no longer earning this amount continues to be exempt from the cap for a nine month 'grace period' but only if earnings were above the threshold in each of the preceding 12 months.

There were two payment tranches, each with different eligibility windows. The first payment of £326 was paid in July 2022. To be eligible, a UC claimant must have been entitled to a payment of at least 1p during an assessment period that ended between 26 April and 25 May 2022. Claimants with a nil UC award during this period due to earning above the entitlement threshold, or as a result of a benefit sanction or fraud, were not entitled to receive the payment. Self-employed claimants who had their UC award reduced to zero by the minimum income floor were similarly ineligible. There was no right of appeal.

The second payment of £324 was paid in November 2022. To be entitled to the payment, UC claimants must have been entitled to a payment of at least 1p during an assessment period that ended between 26 August and 25 September 2022. Those with a nil award during this period were not entitled to the payment. The rationale for separate payments was to allow claimants an opportunity to receive the second payment in November despite not having been entitled for the first payment in July. To minimise opportunities for fraud, the qualifying periods for the payments were announced retrospectively, once the dates had passed, ensuring that a claimant's eligibility was already determined.

As argued in our separate cost of living policy brief, a fairer method of determining eligibility would have been for the qualifying period to span a longer timeframe, enabling UC claimants with a one-off or unexpected increase in monthly earnings to nevertheless remain entitled to the payment. To smooth cliff edges for UC claimants, the Treasury Committee and the House of Commons Work and Pensions Committee called for smaller, more frequent payments over a longer period of time⁷⁰ (as was the case in the Energy Bill Support Scheme⁷¹). However, these recommendations were ignored by the Government and the third and final Cost of Living Payment of £299, in February 2024, applied the same method of assessing entitlement as had been used for all previous payments.⁷²

Healthy Start vouchers (NHS)

Healthy Start is an NHS scheme that helps women in England and Wales who are pregnant or have young children and are receiving means-tested benefits, buy healthy foods such as milk and fruit. Those who are pregnant and under the age of 18 can claim even if they do not receive any benefits. Eligible parents receive £4.25 each week of their pregnancy from the 10th

⁷⁰ <https://committees.parliament.uk/committee/158/treasury-committee/news/175087/government-should-spread-out-cost-of-living-payments-across-winter-months/>

⁷¹ The Energy Bills Support Scheme (EBSS) was a non-repayable discount of £400 that every household with a domestic electricity connection received monthly via their energy provider for 6 months during the autumn/winter of 2022/23.

⁷² House of Commons: Work and Pensions Committee (2024). Cost of living support payments: Government Response to the Committee's First Report. <https://committees.parliament.uk/publications/43016/documents/213962/default/>

week, £8.50 each week for each child from birth to one year old, £4.25 for children between one and four. These amounts were last increased in 2021 and have not been updated since.

Universal Credit is a qualifying benefit for the Healthy Start scheme for pregnant women, mothers and children who are either entitled to or who are the responsibility of a person entitled to UC, with an earned income (after deduction of tax, National Insurance and pension contributions) of £408 or less per assessment period. The £408 earnings threshold has to be met in either the most recent complete assessment period or the assessment period immediately preceding it. In the latter case, entitlement continues for a further eight-week run-on period if earnings continue to exceed the earnings threshold.

UC claimants in England and Wales whose monthly household net earned income is £408 or less and have at least one child under four years old, or are more than 10 weeks pregnant, can apply for Healthy Start vouchers. The earnings threshold for Healthy Start for people in receipt of tax credits is much higher at a net annual income of £16,190 or less. In Scotland, there is a different scheme called Best Start Foods (see [page A2](#)) where earning thresholds have been abolished. There are no limits on the number of children families can apply for Healthy Start vouchers (as long as they are under four), but the amount received depends on the age of the child.

The relevant amounts are loaded on to a prepaid card which can be spent in supermarkets, other food and convenience stores and pharmacies, but it cannot be used online. It should only be used for milk, infant formula, fruit and vegetables. Information is shared every four weeks between the Healthy Start scheme and the relevant benefit agencies to check continuing eligibility. If checks show claimants are no longer eligible, then payments will stop and they have 16 weeks to spend any remaining funds on their card. Claimants are contacted if this happens.

Help with health costs (NHS Business Service Authority)

Free prescriptions, NHS dental treatment and optical costs

UC claimants qualify for free prescriptions charges if, on the date of their claim, they receive UC and either had no earnings or had household net earnings of £435 or less in their last UC assessment period, receive a UC award which includes an element for a child, or the claimant (or partner) had LCW or LCWRA and either had no earnings or household net earnings of £935 or less in their last UC assessment period. Claimants generally need to show their UC award notice to prove their entitlement and have met the eligibility criteria in their UC assessment period before the health costs arose. For people who live in Scotland and Wales, NHS charges and prescriptions are free regardless of income, age or savings.

If a claimant in England meets these eligibility criteria, in addition to free prescriptions, they are also entitled to: free NHS dental treatment; free wigs and fabric supports; free sight tests; access to optical vouchers to help with the cost of glasses or contact lenses; and help with travel cost to an NHS appointment or primary care practitioner (doctor, dentist or optician) – but only during assessment periods which do not exceed the earnings thresholds cited above. If claimants are found to have made an incorrect claim, a penalty charge is payable which is five times the charge that the claimant should have paid up to a maximum of £100. If the claimant fails to pay the penalty charge, the NHS can take action to recover the debt in court. The penalty charge will be increased by 50 per cent if the claimant does not pay within 28 days of the date the penalty notice was issued.

NHS Low Income Scheme

A much lesser-known NHS-administered scheme, which provides income-based help to people in England under the age of 60 who are not eligible for free NHS prescriptions and dental charges, is the NHS Low Income Scheme (LIS)⁷³. This offers full or partial help towards health costs to low-income people, including UC claimants, whose household earnings are above the eligibility threshold for exemption, if their income is assessed as being low enough. The scheme covers:

- NHS prescriptions
- NHS dental treatment
- Sight tests, glasses and contact lenses
- Travel to receive NHS treatment
- NHS wigs and fabric supports

Based on a self-completed questionnaire (available online), the assessment takes into account individual and household circumstances. There is no set earnings limit but a savings limit of £16,000 applies. Employed people need to provide proof of earnings from the previous two months. Based on the information provided, a comparison is made between weekly needs and weekly income to determine how much, if anything, applicants are required to pay towards health costs. People qualify for full help if their weekly income is less than or equal to their weekly requirements (based on a personal allowance covering day-to-day living expenses including council tax and housing costs), or if it is greater than their weekly requirements by no more than half the current NHS prescription charges. People whose income exceeds their requirements may be entitled to partial help. If eligible, a HC2 certificate gives full help with the health costs and a HC3 certificate shows how much contribution has to be paid.

73 <https://www.nhsbsa.nhs.uk/nhs-low-income-scheme>

People can apply for a certificate before they need any treatment. However, if they have already paid for an item or items, they can apply for a refund at the same time as they apply for a certificate. Unusually, any help received is extended to partners (if they have one). The NHS website outlining the help available with health costs for people getting Universal Credit⁷⁴ provides no information about the NHS Low Income Scheme, although a telephone number for the scheme is listed.

Help to Save (HM Revenue and Customs)

Help to Save is a Government-backed savings account that allows eligible low-income people in receipt of Universal Credit or Working Tax Credit to receive a bonus of 50p for every £1 they save over four years. Account holders can pay in from £1 up to £50 per month and bonuses are paid in the second and fourth years. UC claimants need to have had take-home pay of £793.17 or more (with a partner if it is a joint claim) in the previous monthly assessment period to be eligible. For couples, each partner can apply for an account separately. After four years, the Help to Save account will close and it is not possible to reopen the account or open a new account. UC claimants can have savings up to £6,000 without any impact on their eligibility for UC. Any savings between £6,000 and £16,000 will reduce the amount of UC claimants get (by £4.35 for each £250 of savings between £6,000 and £16,000). If claimants have over £16,000 in savings, they are no longer entitled to UC.⁷⁵

Help with funeral costs⁷⁶ (Department for Work and Pensions)

UC (and legacy benefit) claimants in England and Wales can receive a Funeral Expenses Payment towards the cost of a funeral if they are in receipt of UC (or legacy benefits) and are either the partner of the deceased, the parent of a stillborn after 24 weeks of pregnancy or the parent or person responsible for a deceased child under 16 (or under 20 and in approved education or training). If another close relative of the deceased (such as a sibling or parent) is in work or not getting a qualifying benefit, claimants might not get a Funeral Expenses Payment. UC (or legacy benefit) claimants may also be able to get a funeral expense payment if the deceased did not have a partner when they died, or the partner of the deceased or parent of a deceased child cannot claim (for example, they live

⁷⁴ <https://www.nhs.uk/nhs-services/help-with-health-costs/help-with-health-costs-for-people-getting-universal-credit/>

⁷⁵ Households with savings or capital above £16,000 are not eligible for UC, a threshold that has been unchanged since 1990. Those with savings between £6,000 and £15,999 are means-tested by applying a notional income of £4.35 per week for every £250 in savings. There is no savings limit for tax credits.

⁷⁶ <https://www.gov.uk/funeral-payments>

abroad or are in prison). There is no mention of an earnings threshold for UC claimants on the Government website.

A Funeral Expenses Payment can help pay for some of the costs of burial or cremation fees, death certificates or other documents and up to £1,000 for any other funeral expenses. Research shows that the average funeral in 2023 cost £4,141 and that of those who received a Funeral Expenses Payment, the subsidy on average covered approximately 48 per cent of the total funeral costs.⁷⁷ A 2017 IPR policy brief identified that low-income households face high levels of stress trying to meet the costs of funeral payments due to these shortfalls and the strict eligibility criteria regarding relationship to the deceased.⁷⁸ In Scotland, the Funeral Support Payment scheme has similar rules and issues.⁷⁹

High Income Child Benefit Charge (HM Revenue and Customs)

Until January 2013, all households with children aged 16 and under were entitled to Child Benefit for a first child and subsequent children, regardless of income. From this date, a means test was introduced for families with a higher rate taxpayer. The High Income Child Benefit Charge (HICBC) effectively claws back Child Benefit through the tax system from families where the highest earner has an income above a set threshold. Prior to 6 April 2024, this threshold was £50,000. A tapered tax charge, equal to one per cent of the total Child Benefit, was made for every £100 of earning over £50,000. Child Benefit payment was withdrawn completely when income reached £60,000.

The charge applies as soon as one parent in the household has a taxable income over the threshold. Joint income is irrelevant. In couples, the HICBC is calculated based on the net income of the higher-income partner. A couple in which both partners were earning £49,000 would therefore not be affected by the charge, although a single parent earning over £50,000 would be. The charge also applies whether or not the children in the household are biologically related to both parents. Nor does it matter which partner claims or receives the Child Benefit. The charge is levied using HMRC's system of self-assessment and individuals who are liable to pay it must file an annual tax return (if they are not already required to do so). Child Benefit recipients may elect not to receive this payment, rather than have to complete an annual tax return and pay the HICB charge.

⁷⁷ SunLife (2024). Cost of Dying: 2024 Report. <https://www.sunlife.co.uk/siteassets/documents/cost-of-dying/sunlife-cost-of-dying-report-2024.pdf>

⁷⁸ Woodthorpe, K. (ed.) (2017). Death, Dying and Devolution. IPR Policy Brief. <https://www.bath.ac.uk/publications/death-dying-and-devolution/attachments/ipr-policy-brief-death-dying-and-devolution.pdf>

⁷⁹ <https://www.mygov.scot/funeral-support-payment/if-the-person-who-died-was-18-or-over>

In the 2024 Spring Budget, the HICBC income threshold was raised from £50,000 to £60,000. In addition, the taper for the HICBC – the amount that Child Benefit is withdrawn for incomes above the threshold – was halved.⁸⁰ From 2024, Child Benefit will be fully withdrawn if the higher earner has an income above £80,000. It was also announced that the Government would consult on reforming the HICBC to base eligibility on household income, not individual income. The HICBC now reduces Child Benefit by one per cent for every £100 of net income over £60,000 a year. Between £60,000 and £80,000, Child Benefit is withdrawn at a rate of one per cent for each £200 of earned income over £60,000 by the higher-income partner. The benefit is withdrawn completely where the income of the higher-income partner is £80,000 or more a year.

The decision to increase the threshold is partly in response to concerns about the number of taxpayers subject to penalties for failing to pay the charge through a tax return. Concerns have also been raised that some families have decided not to claim Child Benefit without being aware of the potential impact this may have on their future entitlement to social security benefits that require National Insurance contributions or credits as a condition of entitlement (which receipt of Child Benefit confers entitlement towards), including the state retirement pension.⁸¹

Household Support Fund (Local councils)

The Household Support Fund (HSF) was introduced as a temporary measure in September 2021 as part of the Government's Covid-19 support package, its launch coinciding with the withdrawal of the temporary £20 weekly uplift in Universal Credit. The scheme provides additional funding to local councils in England for the distribution of discretionary crisis support provided as cash or in-kind payments – such as food and energy vouchers – to help low-income households facing emergencies and acute financial hardship. While councils were at liberty to devise their own local schemes, half of the initial funding tranche was to be ring-fenced for families with children.

In recognition of the significant rise in living costs, additional HSF funding was made available to councils in 2022 and again in 2023. The devolved governments also received further funding for their own schemes. Councils were to disburse at least one-third of the second tranche to pensioners. For the period 1 April 2024 to 30 September 2024, a further £421m of HSF funding was made available to local authorities in England to support those most in need with the cost of essentials, including energy and water bills,

⁸⁰ Seely, A. (2024). The High Income Child Benefit Charge. <https://researchbriefings.files.parliament.uk/documents/CBP-8631/CBP-8631.pdf>

⁸¹ As above.

food and housing costs. Largely an extension to the previous four schemes, authorities have the discretion to decide how the funding is used, within the terms of the grant.⁸² There is no ring-fencing in terms of specific targeted groups and no means test, nor is the support restricted to households in receipt of benefits or with no earnings. However, the DWP now provides data to local authorities to help them identify households with UC claims with limited capability for work or earnings below the free school meals and free prescription thresholds. This may mean that, in some local authority areas, only individuals and households with very low earnings may qualify for help.

In September 2024, the new Labour Government announced that the HSF would be extended until the end of March 2025, with a further £421 million of funding earmarked for councils in England and £79 million made available to the devolved administrations in Scotland, Wales and Northern Ireland.

Legal Aid (Legal Aid Agency, on behalf of the Ministry of Justice)

Administered by the Legal Aid Agency (LAA), an agency of the Ministry of Justice (MoJ), legal aid pays towards the cost of legal advice, assistance and representation for individuals who require these services. Most criminal and civil legal aid is means-tested. Recipients of Universal Credit (and other income means-tested benefits) are passported through the income means test. However, applicants with disposable capital (savings) above £8,000 are ineligible for legal aid. Those with capital between £3,000 and £8,000 are required to pay a contribution of their capital above £3,000, up to the estimated cost of their case.

School uniform grants (Local councils)

In England

Local councils have responsibility for the design and administration of school uniform grants. There is statutory guidance for schools to develop uniform policies to ensure the costs of school uniform is reasonable, but there is no statutory requirement on councils to provide a grant scheme, and most do not. In a 2023 survey, only 20 English councils were identified that offered a grant.⁸³ Each scheme was different, but entitlement for free school meals was the typical qualification criteria. The amount offered varied from £25 per child (Sandwell) up to £160 (City of London).

⁸² <https://www.gov.uk/government/publications/household-support-fund-guidance-for-local-councils/1-april-2023-to-31-march-2024-household-support-fund-guidance-for-county-councils-and-unitary-authorities-in-england>

⁸³ <https://www.moneysavingexpert.com/news/2023/07/school-uniform-grants/>

In Scotland

There is a national School Clothing Grant, but eligibility criteria are determined separately by each local council. Every parent entitled to a school clothing grant receives at least £120 per child of primary school age and £150 per child of secondary school age.

In Wales

Children whose families are receiving UC (or legacy benefits) and with take-home earnings under £7,400 can apply for a School Essentials Grant to help with the increased costs associated with starting secondary school. This is worth £125 per learner up to Year 11, and up to £200 for learners entering Year Seven (secondary school). Families are only entitled to one claim per child per school year. Parents apply through their local authority. The 2023/24 scheme closed on 31 May 2024.

Scottish Child Payment (Social Security Scotland)

The Scottish Child Payment (SCP) is a weekly payment of £26.70 (2024/25) for every child in the household that a claimant is responsible for under the age of 16. Paid every four weeks, it is separate from, and paid in addition to, UK-wide Child Benefit. Only one person can claim per child. Claimants must be getting UC (or other legacy benefits) but there is no earnings threshold. Previously SCP was only for children aged five and under, but the payment was extended to all children under the age of 16 in December 2023. The SCP amount has also increased significantly over the years. It was worth £10 per week per child when it was first introduced in 2021, rising to £20 per child up until November 2022 when it increased to £25. In April 2024, it increased to £26.70 per week per child. There is no limit on the number of eligible children. As such, it will still be paid for a child in households affected by the two-child limit. Nor, since November 2022, is there any earnings threshold. However, entitlement is lost in months with a nil UC award due to earnings recorded by HMRC's RTI system as exceeding the UC threshold.

Taken together, the Scottish Child Payment, Best Start Foods and Best Start Grant could be worth an additional £10,000 per child for eligible families in Scotland by the time a child reaches six and over £20,000 by the time a child reaches 16.⁸⁴

⁸⁴ The Scottish Government (2023). Social security in an independent Scotland, p.31. <https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2023/12/social-security-independent-scotland/documents/social-security-independent-scotland-paper-9/social-security-independent-scotland-paper-9/govscot%3Adocument/social-security-independent-scotland-paper-9.pdf>

Social tariffs (Individual providers)

Social tariffs are discounted deals and reductions on broadband and phone charges for eligible people on UC and other income-based benefits. They are delivered in the same way as normal phone and broadband packages but at a lower price. Different providers have different eligibility rules, although for UC claimants, simply being in receipt of UC appears to be only qualifying. There appear to be no earnings thresholds imposed by any of the main providers.

Support for Mortgage Interest scheme (Department for Work and Pensions)

The Support for Mortgage Interest (SMI) scheme provides loans to help pay towards the interest on a mortgage or other home loan of up to £200,000. Applicants must be in receipt of a qualifying benefit, which includes UC. UC claimants must have been in receipt of UC for at least three continuous months to be eligible. Payments are generally paid direct to the lender. The interest rate used to calculate the amount of SMI eligible claimants get is currently 3.16 per cent. The loan is normally repaid with interest when the person sells their home, but voluntary repayments can also be made.

Sure Start Maternity Grant (Department for Work and Pensions)

Administered by the Department for Work and Pensions, the Sure Start Maternity Grant is one-off, non-repayable grant of £500 available to pregnant women and new mothers living in England and Wales who are on UC (or legacy benefits) if the new baby is the only child under 16 in the household, or if the mother is expecting a multiple birth and has children already. Claimants must be in receipt of UC (or legacy benefits) but there is no earned income limit. The grant must be claimed within 11 weeks of the baby's due date or within six months after the baby's birth. In Scotland, Best Start Grants (see [page A2](#)) have replaced the Sure Start Maternity Grant.

Warm Home Discount (Department for Energy Security and Net Zero)

The Warm Home Discount is an annual £150 discount on energy bills that some people with low incomes may be eligible for. Applicants to the current scheme need to be in receipt of Pension Credit or have high energy costs due to poor insulation and energy efficiency. Previously, receipt of means-tested benefits was one of the qualifying criteria. To receive the discount,

the energy supplier of the applicant also needs to be part the scheme. Virtually all larger utility providers are signed up, but some smaller suppliers are not.

Prior to 2022, anyone on a low income and deemed to be in a designated 'priority group'– which included people in receipt of means-tested benefits – could apply for the discount on a 'first come, first served' basis. For the 2022/23 scheme, the eligibility criteria changed and a property needed to be judged as having high energy costs according to the Valuation Office (VOA) (taking into account the property's age and floor area) to be eligible. Claimants in receipt of UC (or legacy benefits) also had to have been in receipt of UC on 13 August 2023 to qualify but there was no earning threshold. In England and Wales, eligible households normally receive the discount automatically, usually between October and March. In Scotland the discount has to be applied for. Currently, the Warm Home Discount Scheme is closed but is due to reopen in October 2024.

WaterSure and water bill reductions (Individual water companies)

In England, the water sector has both statutory (WaterSure) and voluntary measures (social tariffs) in place for households who struggle to pay for their water bills. Statutory support for water bills is a matter for the Department for Environment, Food and Rural Affairs⁸⁵ but each water company and energy supplier also has its own bill reduction and discount schemes which low-income households meeting certain criteria may be eligible to apply for. Water companies are expected to make sure households are aware of the schemes available to help those struggling to pay their bills. Approximately 1,148,310 households benefitted from social tariffs in England and Wales in 2021/22. The average bill discount was £149 per annum.⁸⁶

WaterSure is a scheme which helps some people on low incomes with their water bills. To be eligible for the scheme, people must be in receipt of Universal Credit (or other legacy or disability benefits) and use a higher-than-average amount of water either due to a designated medical condition or because the household has three children or more under 19 and in full-time education. The property also needs to be on a water meter or is about to have one installed. Eligible households have their water bill capped, but the amounts vary depending on circumstances. People who get their water from Welsh Water are covered by WaterSure Wales, which works in a similar way to the English scheme. Approximately 202,898 households benefitted from WaterSure in England and Wales in 2021/22. The average bill discount was £307 per annum.⁸⁷

⁸⁵ <https://questions-statements.parliament.uk/written-questions/detail/2023-05-25/HL8132>

⁸⁶ As above

⁸⁷ <https://www.ccw.org.uk/advice-and-support/households/company-performance/>

Winter Fuel Payment (Department for Work and Pensions)

The Winter Fuel Payment is an annual payment that helps people over state pension age with their heating costs during the colder months. Prior to July 2024, the payment was not means-tested and all people of state pension age automatically received it regardless of their income. In July 2024, the Government announced that only people of state pension age in receipt of a qualifying, means-tested benefit (Pension Credit, Universal Credit, Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance) will qualify for a Winter Fuel Payment in the winter of 2024-25. Eligible people of state pension age will receive £200 and people over 80 years will receive £300. The payment will be made automatically between mid-November and Christmas 2024.

Winter Heating Payment (Social Security Scotland)

Winter Heating Payment has replaced the Cold Weather Payment in Scotland and helps low-income people receiving qualifying benefits with extra heating needs. The payment for winter 2024/2025 is £58.75. Unlike the Cold Weather Payment, Winter Heating Payment does not depend on how cold the temperature gets. It is paid automatically (and in addition to Winter Fuel Payment) to people in receipt of Universal Credit, Pension Credit, Income Support, income-based Jobseeker's Allowance, income-related Employment Support Allowance or Support for Mortgage Interest during a qualifying week. In 2024, the qualifying week is 4 November to 10 November and the payment will be made between December 2024 and February 2025.



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