

Work and Pensions Committee

Oral evidence: Cost of living support payments, HC 1277

Wednesday 7 June 2023

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[Watch the meeting](#)

Members present: Sir Stephen Timms (Chair); Debbie Abrahams; Siobhan Baillie; Neil Coyle; David Linden; Steve McCabe; Nigel Mills; Selaine Saxby; Sir Desmond Swayne.

Questions 1 - 58

Witnesses

[I](#): Helen Barnard, Director of Policy, Research and Impact, The Trussell Trust; Morgan Wild, Head of Policy, Citizens Advice; Sally West, Policy Manager, Age UK; and Maddy Rose, Policy Specialist, Royal Mencap Society.

[II](#): Fran Bennett, Associate Fellow, University of Oxford; Richard Hunt, Head of Hospitality, Catering and Country Parks, Leicestershire County Council; and Maxwell Marlow, Director of Research, Adam Smith Institute.

Written evidence from witnesses:

[The Trussell Trust](#)

[Royal Mencap Society](#)

[Age UK](#)

[Leicestershire County Council](#)

Examination of witnesses

Witnesses: Helen Barnard, Morgan Wild, Sally West and Maddy Rose.

Q1 Chair: Welcome, everybody, to this meeting of the Work and Pensions Select Committee where we are taking evidence about the Government's cost of living support payments. A warm welcome to our first panel. I will ask each of you to very briefly tell us who you are, starting with Helen Barnard.

Helen Barnard: I am Helen Barnard. I am director of policy, research and impact for the Trussell Trust.

Maddy Rose: Hello, I am Maddy Rose. I am a policy specialist at Mencap.

Morgan Wild: Hello, I am Morgan Wild, head of policy at Citizens Advice.

Sally West: I am Sally West. I am policy manager at Age UK.

Q2 Chair: Welcome, and thank you all very much for joining us. I will put the first question to each of you. How helpful do you think the cost of living support payments and the arrangements for them have been for the people that your organisation works with?

Helen Barnard: Last year overall we saw the highest need ever for food banks. We gave out 3 million food parcels, which was a 37% increase on the year before, with more than 1 million for children for the first time. Overall, even with every bit of support that was put in, we were still seeing a lot of people in dire hardship. When you look in our data at what happened every time each cost of living payment came in, you can see clearly that they definitely helped. When the first one came in July, we saw a dip of about 21% in the need for our food banks compared to what we would have expected on the trend. Then with the November one, we saw a dip of about 15% compared to what we would have expected in the number of food parcels people needed. In the most recent one that went out in April, we saw a dip of 23%.

It clearly made a significant difference, but you see that it was a very short respite. The payments come out, and for between one and three weeks you see that dip, then the need shoots up again. In each case, it went back up to, as had happened previously, a higher level of need than the year before. In the most recent one that went out in April, again we saw that dip, which did not last very long. It lasted a shorter period than the others, but it shot up again, so even in the first few weeks of this year we are already seeing levels of need higher than last year, which was itself significantly higher than the previous year.

They clearly helped. They were delivered. They went in a targeted way to people who really needed them, and they landed in people's bank accounts. You did not have to apply. All that was good, but I think it tells us that one-off payments cannot respond to an ongoing level of income



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that is too low to cover the essentials. They can only ever give a short respite.

Maddy Rose: We have seen a similar picture. For many people with a learning disability, the cost of living payments have not reflected the challenges that they have experienced. We know that 80% of disabled people have said that they have not been able to cover their increased costs. As an organisation, we have seen a consistent degree of need for our helpline from people with a learning disability, their families and carers. Anecdotally, we know that the cost of living payments have often either been swallowed up by one large payment of a disproportionately high energy bill—because we know that people with a learning disability often have higher energy needs than non-disabled people—or the cost of living payments have been defrayed across the wide number of extra costs that disabled people have.

We have also found that even people who have been in receipt of the general cost of living payment, the disability cost of living payment and their full benefit entitlement have still had to make profoundly difficult choices about whether they can afford their essentials. In our recent survey we found that 26% of people with a learning disability who responded reported not turning the lights on, 35% reported skipping meals and 38% had not used their heating when they were cold. That indicates that hardship for people with a learning disability has persisted even with the cost of living payments.

Morgan Wild: I am going to add to the fairly bleak chorus from my colleagues here. To give you a sense of context, we have had probably the bleakest start to the year as a service that we have ever seen. We give advice on anything, but we give advice on around 300 different topics, and for over 70 of those issues we have broken all-time records this year. When you put that in the context of us having been around for over 80 years, starting at the outset of world war two, it is really something to be in the bleakest situation for people's living standards we have ever seen.

The cost of living payments have helped. We have seen a similar temporary dip for people coming to us to access crisis support. That is typically referrals to food banks like the Trussell Trust network or charitable grants from local councils or other charities. We see that dip in the data for a month and then it goes away. You do not see that dip for our other key advice areas. For example, if you come to us for a budgeting exercise in debt advice, we are increasingly seeing that our advisers, even when they are going through your income and expenditure with a fine-toothed comb, cannot make the numbers add up. Over 50% of the people coming to us are now in that situation if we are giving them debt advice. It is quite a bleak overall picture.

Sally West: Like others have said, the payments have made an important contribution, combined with the other support that the



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Government are giving with energy bills, but the evidence that we are getting from the polling that we do regularly, and also from the many people who contact us, is that for some people it is not sufficient. People are still struggling with bills.

I will pick out two groups. A lot of people tell us that they have health conditions or disabilities and they need to keep their house particularly warm, and they have high laundry bills and high costs for extra food and things. With people in those situations, we are worrying about the fact that over the winter they were turning down the heating and they knew it was not doing any good for their health. A woman whose husband had dementia and various other conditions said, "He doesn't understand why we can't have the house warm enough."

The other group that seems to be coming to us increasingly are people who have a bit of savings or private pensions and thought that they had done enough to have a comfortable retirement—not luxurious, but they could get by and maybe have a bit over for a treat, even, say, for a holiday. They are saying now, "All my income is going on my regular outgoings. We have got a private pension. We can't get any extra help," and they are drawing on savings.

People are worried about getting by day to day. The weather is obviously getting warmer, so heating is not such an issue, but they are still worried about the future. I read something from a woman in her 80s who said she has had to draw on her savings. She just about survived last winter, but she is really worried about next winter. People are worrying about what will happen in the future as well.

Q3 David Linden: Ms West, does targeting these cost of living payments to those already in receipt of benefits reach those in need of support?

Sally West: Targeting the bulk of the help to people getting benefits obviously gets help to people who are in need; by definition, you are on a benefit because you have a low income. We are finding that they do not reach everybody in need on a low income.

The two groups that we have particularly highlighted are those who should be getting pension credit, because for the people who we deal with pension credit is the main passporting benefit for cost of living. Those people are missing out because they have not claimed pension credit. I know this is an ongoing issue that the Committee and other people have looked at, but take-up remains an important issue.

Secondly, for the people who are just over the pension credit level—they could be £1 or 10p over the pension credit level—that gives a cliff edge where you do not get support from the cost of living payment, which was £650 and is £900 this year. People can be worse off because they have a small private pension than if they had never saved for that and were claiming pension credit.



Morgan Wild: I fully endorse what Sally has said about pension credit. I have two further issues for people who are not being reached. One is people who happen to receive what is called a nil award in Universal Credit at the time of their eligibility for the cost of living payment. We have seen huge numbers of people in that situation who would typically in any given month be receiving Universal Credit but have not been.

Q4 **David Linden:** Somebody who has been sanctioned, for example?

Morgan Wild: Exactly, somebody who has been sanctioned. We have seen cases where people are working part time, and they are receiving Universal Credit payments. They cover a couple of shifts, which takes them just over the threshold, and because they are just over the threshold at the wrong point, it means they are not eligible for the cost of living payment. It has been a huge issue, and people do not understand why they are not receiving the support that they desperately need.

The other issue has been people who are on non-income-based benefits—things like housing benefit on the legacy system, contributory ESA and contributory JSA—and who are not receiving any other form of income-related benefit like Universal Credit. Those people have not been eligible. Housing benefit, for example, probably affects around 100,000 working-age households and around 370,000 pensioner households, many of whom would be eligible for pension credits. We know that most people in that situation will be on a low income and may be eligible for income-related benefits if they had applied.

It is worth reflecting on the contributory benefits specifically, because that creates a real unfairness. If you happened to have made sufficient national insurance contributions to qualify for something contributory like ESA, you will perhaps be in a worse position than somebody on an income-based benefit.

Maddy Rose: Similar to Sally, we have found that vast numbers of people with a learning disability have been reached quickly and efficiently through the cost of living payment, but we are concerned that it has not reached everybody. We are particularly mindful of people with a learning disability who are in need and are missing out on cost of living payment support because they are not already claiming benefits that they are entitled to because of the barriers that they experience in the design and delivery of the welfare system. That is a group that we are very concerned about.

Helen Barnard: I think you need to separate it into two different things. Using the social security system to target people is right. A lot of work went into designing a system that would make sure help gets to people who need it. The difficulty is that if we choose to use that for these one-off payments, it magnifies unfairness in the system, but it also drives a bit of a coach and horses through. Universal Credit is designed to have the taper so you are always better off. Doing this then undoes that



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careful design, but that is purely because of the one-off payment, not because we are using social security.

The only other group to add to those colleagues have talked about who we have heard people are concerned about missing out are people with no recourse to public funds or people waiting to move on to UC because of their immigration status.

Q5 David Linden: I want to turn to low-income households who are not eligible for the cost of living payments, and I am thinking specifically of people who are struggling with in-work poverty. Ms Barnard, have you seen more households coming forward that are not eligible for the cost of living payments struggling more than those who have received them?

Helen Barnard: Probably not, because if you are not eligible for the cost of living payments, it is generally because your income is high enough that you do not qualify for Universal Credit. We know that people who are on Universal Credit are much more likely to be going without essentials than people who are not, but you are right that there is that group of people who are a very small amount above the threshold or have fluctuating incomes. We see a lot of people coming to food banks who are in work—that seems to be a big issue—and you are right that these kinds of one-off payments will be very inconsistent in whether those people happen to qualify at any one time.

David Linden: Does anybody else on the panel want to add anything to that?

Morgan Wild: I will endorse the point that it makes the last pound of Universal Credit way too important for people, and lots of people, rightly, will not have applied for those. I really do buy the point that people just outside the system have struggled a great deal. One of the things that we have argued for, to sit in concert with the social security system, is to have an energy social tariff to reflect the fact that this crisis is not just about incomes; it is about people's situations and how hard their homes are to heat. We need a system for making sure those people, whether they are inside Universal Credit or not, receive the support they need.

Maddy Rose: To add to Morgan's point on the impact that people's situations have, we have definitely found that the need is most acute among people with a learning disability on benefits and in receipt of cost of living payments. We have seen families who are not in receipt of state welfare support but who have been particularly affected by high energy bills. They may have a child who has a medical condition that requires significantly increased energy. We have heard of some households who have energy bills of up to £1,000 higher than the average. They are experiencing real hardship, and part of that is because there is a chasm between the underlying household incomes of households with a disability and those without. The Resolution Foundation put the figure at 44% if disability social security is not included, which exposes the fact that disabled people are hugely vulnerable to rises in the cost of essentials,



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regardless of whether they are in receipt of high levels of benefit support or not.

Q6 David Linden: I had a case in my constituency, in Lanarkshire, where somebody had a joint claim with a then partner for Universal Credit. The couple split up, and that person was not eligible for the cost of living payment. Do you have recommendations as to how we might be able to ensure that those who miss out on payments can be supported?

Helen Barnard: The main thing is not to rely on one-off payments in a moment of time. If we were putting the money into making the underlying rate of benefits adequate, I think the system could deal with that. If we are using one-off payments, you will always get these circumstances where it will be unfair.

Q7 Sir Desmond Swayne: Which is better: the cost of living payments or an increment to regular monthly benefits, bearing in mind that the increment during the pandemic was only paid to Universal Credit? There is undoubtedly a number of people who believe that the large one-off costs are better addressed by the cost of living payments.

Morgan Wild: I echo what Helen has just said. I think the evidence is pretty clear that, for policy design, it is better to have increments to Universal Credit than a system of one-off payments. That does have certain drawbacks. As you mentioned, there were ongoing problems with the legacy system in trying to extend the £20 uplift to that system, so it may be the case that while we maintain the legacy system, we need a parallel system of one-off payments for them while having an uplift for everybody else. That would make the entire process a lot smoother for the people who are coming to us and, as Helen said, it would remove a great degree of arbitrariness in who receives a payment.

There are other things that would need thinking through, like interaction with the benefits cap and interaction with the two-child limit, depending on how you apply the increase in the base rate, but clearly it is superior to one-off payments.

Helen Barnard: The only other thing I will add is that you need to think about stability of income as well as amount of income. When people are getting by on very low levels of income, they are doing a lot of financial juggling. They are generally trying to pay off debts and trying to work out which bill to get into arrears with at which time. They are trying to do incredibly tight budgeting, and having fluctuating payments makes that far harder. When you add into that that many of these people who are in work are already having to deal with earnings that are not steady, we want the social security system to help people stabilise their finances, not create even more unstable situations for people. It makes it very hard to plan and budget effectively.

Q8 Steve McCabe: I want to ask a couple of quick questions about the £150 disability cost of living payment. Maddy, you said in an earlier answer



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that you did not think everyone who was eligible had actually received the payment. Are you able to put a figure on that? Do you have a notion of the number or percentage who missed out?

Maddy Rose: No, we are not. As I said, we are confident that the vast number of people have received the payment. Eligibility has not been our primary concern. It has been about the payment amount itself and the extent to which it has essentially been inadequate.

Q9 **Steve McCabe:** I wondered, when you mentioned that, whether it was a significant figure. Mencap says that the £150 is inadequate. What would you do instead?

Maddy Rose: There are two points. If the Government were intending on making additional one-off payments, they would need to be at a much higher rate and would need to be commensurate with the need of people with a learning disability. £150 has been inadequate. It has effectively just replaced the warm home discount payment that many disabled people received and are now ineligible for since 290,000 were removed from that scheme who normally received it. A more sustainable long-term solution is obviously the benefit upgrades that colleagues have discussed before—regular increases in income that would have a profound effect.

Q10 **Steve McCabe:** I want to push you on this. What is a much higher rate?

Maddy Rose: It is difficult to put a figure on it, because it depends on people's needs, their disabilities and the nature of the suite of Government support that is in place. If improvements are made to local support, that would have an effect on a suitable rate that we could suggest. Before I guess on a number, I would advocate for an independent review of it, so that there is a clear rationale that meets the need of people.

Steve McCabe: Okay. I just wondered if you had a figure in mind. I had better leave it there.

Q11 **Debbie Abrahams:** Perhaps Helen wants to carry on from that, because I know that the Trussell Trust has done a lot around that. It does not specifically relate to disabled people, but do you want to mention that?

Helen Barnard: We have done research with the Joseph Rowntree Foundation and found that if you are a single person, to cover your basic costs—your essentials: food, basic household goods and bills—you need £120 a week. That is without the additional costs that disabled people face. That is the absolute minimum that we want to see everyone getting so that people are not left hungry, cold and in the dark, which is what we are seeing at the moment.

Morgan Wild: To add to that, it would be useful to understand from the Government what kind of process they went through to come up with the estimate of £150 for disabled people. It is relatively well understood what the additional costs are for disabled people with a variety of different



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impairments, and certainly we have seen that. The cost of living crisis for Citizens Advice clients has been overwhelmingly driven by disability. If you come to Citizens Advice and you are disabled, you are more likely to come to us about a cost of living issue than you are with any other problem.

Q12 Debbie Abrahams: Maddy, you mentioned the extra costs reported, which have gone up dramatically. There are extra costs of £1,122 a month if you consider inflation. We know that one in three disabled people will be living in poverty—double that of non-disabled people. We welcome the extra £150 disability cost of living payment, but it does not really touch the sides, does it?

Maddy Rose: No, not at all. It is equivalent to £2.88 per week, which is clearly not commensurate with the need, particularly when we are mindful of the extra costs that people with a learning disability have and how they have been disproportionately impacted by the cost of living crisis, particularly on two measures of household income. One is food. We know that people with a learning disability tend to need certain foods because of medical or sensory needs. Often those costs are fixed, so household expenditure cannot be changed. That has been really impactful.

On energy, we know that many disabled people have significantly increased energy needs and cannot cut down on those because they might be using energy for mobility and hygiene needs—running electric wheelchairs, more frequent use of washing machines, running vital medical equipment such as oxygen concentrators, ventilators and feeding tubes, which are vital and cannot be switched off. There are other needs pertaining to health conditions. People's homes might need to be heated to a certain temperature or people might be experiencing increased energy costs of overnight or 24-hour carers.

All of that has created a perfect storm where people with a learning disability are disproportionately impacted by the cost of living crisis, but they were also starting this whole crisis from a place of real economic inequality and, as you said, are more likely to experience poverty, having to contend with those significant extra costs in the disability price tag. With the group that we support, people with a learning disability have fewer opportunities for paid work so that they can increase their household income.

Q13 Debbie Abrahams: Child poverty statistics came out this week, and we have seen a massive increase in many areas. It is not uniform across the UK. In my constituency, nearly one in two children will be living in poverty. The big increase is in children living in poverty in working families—more than seven in 10—and in destitution-level poverty. What difference has the cost of living payment made to child poverty? Who wants to tackle that one quickly? I do not want to test the patience of the Chair.



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Helen Barnard: It has certainly helped the families that have got it, but of course, it is a flat payment. It is not calibrated for the number of people you are trying to feed, so it has clearly gone less far if you are a family with children than if you are a single person or a couple. It is worth saying that with the food bank statistics, we have seen a faster rise in need among families with children than we have among families without children. That is obviously another argument to use the system as it is designed, because it has built in calibration to family size and so on.

Morgan Wild: Single parents is something that jumps out in our data more than anything else. We see a vastly disproportionate number of single-parent families coming to us for crisis support or because they cannot make their budget add up.

Debbie Abrahams: You do not need to answer this, but it would be useful to get some information on how these things may impact on reducing that child poverty level.

Q14 **Selaine Saxby:** Good morning. My question is specifically to Sally, following on from the written evidence that we received, which said that many of those eligible for pension credit do not receive it and, as a result, miss out on cost of living payments on top. From your experience, do you have any indication of how many people that is or the proportion of pensioners it impacts?

Sally West: The latest DWP figures are a couple of years out of date. They are for 2019-20, and that was about a third of pensioners who should be getting pension credit missing out. That is nearly 800,000 pensioner families. Since then, the take-up has probably increased a bit, but we do not think there has been huge inroads into that. It would be good to have some more up-to-date figures. I think we can say that it continues to be a big problem with people not claiming pension credit and, indeed, other benefits that they are entitled to.

Q15 **Selaine Saxby:** The Government have obviously run a significant scheme. I represent North Devon, so I have a lot of pensioners in my patch. I have done numerous photoshoots with the Pensions Minister to put this out and to try to encourage the people who have not come forward. We have heard evidence here before, but do you have any other thoughts? Is that helping, or is there another way that we could reach these people to persuade them to apply for what they are entitled to?

Sally West: It is positive that, for the last year or so, the Government have been going out proactively with messages about encouraging people to claim. A lot of the messages that we put out are similar. We work together. Using the deadline for claiming pension credit in order to get the cost of living payment has been a really useful hook. That is important for awareness raising, which we need to continue doing. I do not think awareness raising on its own will reach everybody, because it is not just about knowing that a benefit like pension credit exists. You have



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to know that it applies to you and your own particular circumstances. You have to know where you can get help if you need it, and there are other barriers around people not wanting to ask for help. Older people say, "There are people worse off than me. I will just turn the heating down."

We think that the Government could use data matching more to identify people who are missing out and also make the systems more joined up. On data matching, ideally people would receive pension credit automatically, but we know that the Government do not have all the information. All the information would not be able to tell you exactly who could get pension credit and how much they could get, but if all the data that HMRC, DWP and local authorities have was used to try to pinpoint those who are most likely to be entitled, you could then target them with very clear information saying, "We know that you have this kind of pension. We know that you get this. We think it is very likely that you will get X amount of pension credit. This is where you can get help and support to claim." We think it would be useful to have a project that looks at the extent to which Government can use existing data to identify and then target information and support to people.

The second thing is looking at how systems work, and in particular I am thinking of three main benefits for pensioners, which are pension credit, housing benefit and council tax reduction. They are the three benefits that people may be able to get to help with their daily living and their housing costs, but they are not fully joined up, even though they are based on similar rules. For council tax rebate, councils can set their own rules but not for pensioners; it is a standard rule for pensioners. For housing benefit, there are national rules. If you apply for pension credit, the information can be passed to the local authority, but you still have to make a claim within a certain time, and then that information is there, but you still have to go through another step. If you apply for council tax rebate or housing benefit, that information is not then passed to pension credit, even if it is all the information that the Pension Service needs to work out your claim. Some local authorities will be doing exercises to look at their data and identify people who may be entitled, and again, they would have to go and make a claim from the Pension Service.

It just feels like those three benefits should be a lot more joined up, so that if you approach either the local authority or the Pension Service and you provide all the data needed to make the claim, your entitlement for all three benefits should be worked out.

Q16 Selaine Saxby: Thank you for that. Do you have any thoughts on what would be the best way for the Government to support those pensioners who just miss out on the cost of living payments?

Sally West: This is such a big issue. As I mentioned earlier, people who perhaps have a small amount of savings fall just over the pension credit rate. This includes quite a lot of people who are getting housing benefit or council tax rebate, as I mentioned, and we feel the best way is to extend payments to people getting all of those means-tested benefits. We have



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had people coming to us to say, "I've heard the Government saying there are these payments for people getting means-tested benefits. It says on the Government website housing benefit is means-tested, but I'm told I can't receive anything." Because these are means-tested benefits, that would help take that extra support to a slightly bigger group.

Q17 Chair: Sally, do you think a significant number of pensioners have applied for pension credit to qualify for the cost of living payment?

Sally West: It has certainly been a good hook and a good trigger to encourage people to claim. Age UK has had more people coming for help. Some of them will undoubtedly go on to make a claim for pension credit. Increasingly, our local advisers are saying, "People are coming to us for help. We would normally do a benefit check, but this time we can't offer anything extra." It is difficult to know, and of course the Government information can tell you how many claims were made in a month, but it cannot tell you which ones were successful for pension credit. It would be good to be able to judge how successful take-up campaigns in different initiatives are, but the systems do not seem to allow that.

Q18 Siobhan Baillie: I am sorry about my voice; it is on the way out. We have touched on the fact that the Government tried to get money out quickly, and in doing so, they have created a simple payment system using a mechanism that is already there, which is the benefits system, which is imperfect, but it was for speed. I am interested to know from all of you whether you would sacrifice speed of payments for an attempt to be more bespoke and targeted for the size of household, for example. Do you think that is important, and do you think that could be accurately done at scale?

Morgan Wild: I think it could be accurately done at scale. The reason is that if you take Universal Credit by itself—there may be more complexities with the legacy system—there are basically two ways that you could increase Universal Credit to achieve the same effect as a cost of living payment. You could just increase the standard allowance by an equivalent amount or, if you were more concerned about scaling payments with household size and other characteristics, you could grow each of the elements of Universal Credit proportionately so that you are giving additional support in the way that is—

Q19 Siobhan Baillie: So that would not be a one-off; that would be on a more frequent basis. On a one-off basis, do you think there is a mechanism?

Morgan Wild: I think you could do this on a one-off basis. I think everybody here would also be of the view that a permanent increase is required because benefit rates are too low, but you could do this on a temporary basis, as we did with the £20 uplift.

Maddy Rose: I echo what Morgan said. It would be difficult to contend with the complexities that individuals who receive legacy payments experience, and it would depend on how it was operationalised, but we



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are keen to see that permanent increase in the benefit rate because it is so inadequate at the moment for people with a learning disability.

Helen Barnard: I echo that. One of the benefits of Universal Credit is that it is very flexible, so you could do an uplift very quickly, which we saw during the pandemic. It is only the legacy benefits where you have to do something more clunky and it takes longer. Happily, I do not think that is now a choice the Government have to make for most people. They do not have to choose between speed and accuracy because the system will let you do both.

Q20 **Siobhan Baillie:** Your view is that the payment should be adjusted for households, from what you were saying about families and people presenting to the food banks at the moment.

Helen Barnard: Yes. If you run it through Universal Credit, you can use the existing system, so you can increase the standard allowance and the child element, for instance, and that would enable you to direct those payments. One thing that was very welcome was that the Government ensured they lifted the benefit cap so that people did not miss out on extra help because they had hit that arbitrary limit, so you would need to do that as well. I think the system is, in general, well designed to do what we need it to.

Q21 **Siobhan Baillie:** Sally, it is perhaps not necessarily something for your clientele.

Sally West: Most older people live in single-person or couple households, so I will leave that one.

Q22 **Siobhan Baillie:** Do you think that if we made the adjustment for households, it would then have an impact on single-person working households? Do you think there would need to be a trade-off because the payments could not continue across the piece?

Sally West: I suppose if the adjustment made reduced the amount for people on their own, we would not support that, because often your costs are higher, but looking at giving extra support to larger households would be a different issue.

Q23 **Neil Coyle:** Morgan, you have painted the most stark picture of the situation facing people across the country; I think you said that it was the bleakest in Citizens Advice history, including during the second world war. How do you square that with closing the citizens advice bureau in Bermondsey in my constituency, which serves quite a disadvantaged community?

Morgan Wild: I would have to look at the specifics of that situation, but the challenges that we face as a service are extraordinary. We have vastly more demand than we are able to offer advice, and funding has been under continuous pressure. We are always looking for opportunities



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to make sure that we can reduce costs where possible, while maintaining the overall level of provision of our services.

- Q24 **Neil Coyle:** I think that Citizens Advice's turnover was £354 million last year, and the mission statement is, "You won't struggle to get help from us." I appreciate that it is not perhaps relevant to the whole Committee, but I wonder if you could share some information about what other options were considered locally. If the rent was the primary issue for the move, are there other means of keeping a local facility, which I would be very happy to support if I can? I think it is an excellent service, and I am very concerned about the loss to my community.

I want to ask about the number of organisations, including Child Poverty Action Group and Entitled To, that have expressed concern about the cliff-edge nature of the eligibility criteria for cost of living payments. This has been touched on already, but do any of your organisations have data on the number of people you are seeing affected by that specific issue?

Morgan Wild: Not specific data, but it is certainly a huge problem. We are seeing lots of people who are just outside the threshold for receiving Universal Credit and, therefore, are ineligible for cost of living payments. That is probably the central issue that we see.

- Q25 **Neil Coyle:** You say that a huge number of people are coming to food banks, but how do you know? How is it logged in your systems that these are people who should qualify for support but are not quite getting it, and how are you then turning that into recommendations for how to improve the system? Who else would warrant better support? Morgan, you touched on energy, and someone else touched on single parents, but what is the database for the recommendation, and what is the recommendation?

Morgan Wild: I can touch on our data, but others will have comments as well. The driving factor in our data that informs how we think about this is people who are in what we call negative budgets. People come to us and go through the full debt advice process. We go through their income and expenditure with a fine-toothed comb and still cannot make their budgets add up. Lots of those people are on a low income but not receiving a cost of living payment, and when you look at their situation, it looks very reasonable that because of their high heating costs and how this crisis has been driven by the energy crisis, there needs to be some solution that captures that group of people.

Helen Barnard: From our experience, the vast majority of people who are forced to turn to food banks are on a means-tested benefit, but it is not enough for them to afford essentials. That is why they are there. It is also noticeable that an enormous proportion are not receiving all of what you would expect because they are affected by debt deductions at source, by the cap, by the two-child limit or by sanctions. There is that problem that even if you are on the benefit, you may not be getting everything that the system has assessed you as needing.



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We see that the majority of people coming to food banks are disabled, and most of those who are not are living with someone who is. It is an enormous driver, but many of those people are not getting any disability-related benefits. We do not know for sure how many should be, but it could be problems getting PIP, so a lot of the financial inclusion advice that we are giving through food banks is trying to help people get PIP. I know from the work we do with Citizens Advice on the helpline we run jointly that that is the top benefit issue. Getting access to disability benefits is one of the biggest drivers of people ending up in this situation.

Sally West: We also find a lot of older people are missing out on attendance allowance. We have talked about pension credit take-up, which is getting more attention. We do not have figures for them, but we know from our day-to-day advice services that people are missing out on other benefits like attendance allowance and PIP. In terms of the numbers just above pension credit, from the perspective of older people, I said earlier that we would like to see cost of living payments extended to people who are getting housing benefit and council tax reduction. From the figures, it looks like that might be around 400,000 pensioners who are getting a means-tested benefit but not pension credit or pensioner households. I can send you some information about those figures.

Q26 **Neil Coyle:** That would be helpful. Do any of your organisations support the Child Poverty Action Group's suggestion that those who applied for but got nil awards in Universal Credit should get help as well? Is there consensus on this in the sector?

Sally West: Yes, absolutely.

Q27 **Chair:** Morgan, I will ask you a question that I put to Sally. Have you seen people apply for benefits to get the cost of living payment? Has this exercise been helpful for benefit take-up?

Morgan Wild: If I look at our data before the cost of living crisis, we were helping around 10,000 people a month with general benefit entitlement advice. That has gone up to around 20,000 a month, so it has been a big increase. That is partly driven just by general cost of living concerns and people wanting to make sure they are claiming benefits that they otherwise would not. Anecdotally, our advisers say a big driver has been putting them in a position to claim cost of living payments.

Helen Barnard: We have not seen it particularly driving take-up, but one thing to mention is that the DWP does not publicise which day the qualifying day is. If the Government were going to go down this route again, one thing they could do would be to publicise what the qualifying day is, because that could then be used as a call to action by people across the sector to say, "We have to get you on this by this day." That might be a more purposeful way to try to do that. We know that about £19 billion of benefits go unclaimed each year. It is about £7.5 billion for Universal Credit. There are a lot of people missing out on all the support in addition to these extra payments.



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Sally West: The advantage with pension credit is that because you can get a three-month backdated payment, we have been able to say, "Make a claim by a certain date," which indeed the DWP has done as well. It is a very good hook to get publicity around benefits going unclaimed.

Q28 **Chair:** Morgan, are people coming to you at Citizens Advice because of the cost of living payment and it is in their mind that there could be a way of them getting that, or is it that once they have come in, the advisers say, "You could qualify"?

Morgan Wild: As you would expect, it is a bit of a mix. We see both kinds of cases.

Chair: Some people at least are aware that this could be an opportunity. Okay. Thank you very much.

Q29 **Nigel Mills:** We have talked over the years about the danger of cliff edges. Have those dangers come to pass? Have we seen people trying to avoid taking extra hours to make sure they do not max out their UC that month and miss out on £300-odd tax free? Have we seen strange behaviours creeping into the system that we probably did not really want to see?

Morgan Wild: If people were fully informed and following these things in as much detail as the rest of us, the rational thing to do—particularly on Helen's point that they do not advertise the take-up dates—would be to suppress your income in the period where you know that a cost of living payment eligibility criteria is likely to fall. That would be the sensible thing to do, given the scale of money involved. You would expect it to have a potential chilling effect and run contrary to the very good intentions of Universal Credit in making sure that you are never worse off for earning an additional pound.

In practice, people probably are not on average following with the degree of detail that those of us around this room would, but some people will be. It is a very bad property of a policy system to encourage that behaviour from people.

Helen Barnard: I would only add that most of the people we are talking about are in a fairly dire situation. If every week you are struggling to put food on the table and keep the lights on and seeing your bills and debt mounting up, I would be very surprised if there are people who could be earning more who decide not to that week or that couple of weeks. I think people do not have the level of financial buffer that would lead them to make those decisions.

Q30 **Nigel Mills:** On the Government's response to this crisis, we had the funny council tax in reverse thing, which worked quite well if you were on direct debit and was a bit fiddlier if you were not. We then had the money back from your energy bill company spread over six months. We then had the cost of living payments, and we then had the capping of your energy bill directly by your supplier. If, heaven forbid, we had another



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crisis like this, which of those do you think was the right way to go about helping people? Is it a combination of capping the bill and then supporting those who cannot afford the difference, or do you prefer one of the other options?

Morgan Wild: If we could not do the council tax rebates again, that would be much appreciated. At the time we called it strange, complicated and untargeted, and it was probably a policy instrument that we should put to bed.

On the other options, what we have ended up doing has been more expensive than it needed to be. We have implemented an energy price guarantee for everyone and then have supplemented it with cost of living payments for those on the lowest incomes. We have done it in quite a non-strategic way. It has been going from crisis to crisis rather than addressing the underlying cause.

If we were to face this situation again—and I certainly would not bet against us needing a third round of cost of living support—it would be much better to put in place a proper energy social tariff that is reflective of the energy costs that people have, based on their household characteristics and property condition. That can reach out further up into the middle of the income distribution, because when energy bills go up as dramatically as they do, the demand for support will not just be needed by the poorest in society; it will be needed much higher up as well.

Sally West: We certainly support the idea of a social tariff. I guess you need a combination of measures. The social tariff is about reducing costs for those with the hardest-to-heat houses and the lowest incomes, and then you need to look at decent incomes. Although it is not ideal to be giving one-off lump sums—we have talked quite a bit about the need for a regular income—they have been important for people, and they have got some money out to a lot of people quite quickly. Ideally, you would not need further rounds of one-off sums, but they do serve a purpose, and maybe they will be needed.

Helen Barnard: We should try to learn from our experience. We have tried quite a lot of different things in the last few years, and rather than repeat any of them—the council tax thing was obviously a disaster, and we should all collectively forget about it. We have also learned that something that is fully universal just meant that lots and lots of people got the money who genuinely did not need it. We have learned that one-off payments help for a very short time but do not help people to get stable and be able to afford things. What we learned from the £20 uplift during the pandemic—we have had some very good analysis of that—is that it made such a big difference to poverty, hardship, debt and all sorts of things. The only downside was that it was, again, a flat rate.

In a sense, what we have learned from all these things is that we should use the tools that are designed for the job, which is the benefit system, and we should run whatever money we have through that. Then



something like a social tariff can take care of those people in the middle who we should not be funnelling lots of money to, to be honest, because most of the time they do not need it. However, where there are pockets of people who do, you can pick it up through that.

Maddy Rose: I would echo Helen's point. It is key as well to draw out the fact that in these additional measures we are discussing, like the social tariff, we need to think about those design elements that contend with the needs of people with a learning disability. For example, it needs to be automated. It needs to be easy for people to access, because we have seen the problems that have come to pass with Government support. For example, with the energy bill support schemes, there have been significant accessibility barriers for people with a learning disability, which has meant that they have been disadvantaged and have not received the amount of support that they maybe should have.

Q31 **Nigel Mills:** Quite rightly, we do not like the idea of asking councils to deal with this, even though they should know people in their area and should be relatively benevolent organisations, being public sector, but we think that asking energy companies to work out which households to target based on the quality of their housing, how many people are in there and what income they have is a realistic thing that you can roll out quickly. It feels quite hard.

Morgan Wild: Yes, it is definitely not a realistic thing to roll out quickly. The data on property characteristics is collected already by the Valuation Office Agency under what was formerly BEIS; I am not sure where it sits now. All that data exists and is already used in matching for the warm home discount. There are additional complexities, mostly in reaching beyond Universal Credit, because that would require integration with HMRC data potentially. The principle of being able to target based on how hard a home is to heat is fairly well established.

On the council tax reduction part, the key difficulty was both in how payments were processed if you were not in direct debit payments, as you mentioned, and in the imperfect grading of different homes leading to lots of people being left out. I think that there is a place for local welfare assistance through continuing and boosting of household support funds for people in crisis situations, but that should principally be for people in crisis rather than what we have seen, which is grants to help people with their ordinary living costs.

Q32 **Nigel Mills:** Finally—this is one of our favourite topics that we come back to—this was an inflation crisis, and benefits generally go up by inflation. Have we just exposed the fact that putting up benefits in April via the inflation number in September is not a particularly useful way of having something that is meant to provide a standard of living keep up with the standard of living you want if you are always quite so far behind and unresponsive to it?



Helen Barnard: For a lot of periods of history it has been fine, because inflation just has not changed that much, but you are right: this has exposed the fact that in an unusual period, you can get these effects. The Government do have the ability to choose to put it up by more than the previous September's inflation. It is entirely in their gift to say, "We will put it up by the current inflation," for instance. In the way that UC works, there is no technical reason you could not do that. In a sense, it is a political choice about how you want to spread that spending.

Morgan Wild: If you look at the historical data, September does not have any special magic properties as a month to look at inflation. I think it was mostly chosen because, historically, under the legacy system, it genuinely was more difficult. We have a good system now, so let's use that flexibility to increase benefits in a way that is not just tied to the idea of looking at a single month's inflation but involves a judgment about what the inflation landscape looks like, and whether we are expecting bills to continue going up for a longer period. If so, then let's make sure that we are over-aiming on increasing benefits.

Sally West: Having that six-month lag, as others have said, is particularly unfortunate at a time when bills have soared so much. Sometimes it works in people's favour, to be honest. Inflation can fall, but it has been very serious this year, and it feels like six months ought to at least be reduced a bit, even if you kept the same system. DWP may tell you that is not possible, but it feels like it ought to be able to get that gap shorter.

Chair: That concludes the questions we wanted to put to you. Thank you all for joining us and for the very helpful information you have given.

Examination of witnesses

Witnesses: Fran Bennett, Richard Hunt and Maxwell Marlow.

Q33 **Chair:** Welcome and thank you for joining us. I think you have all heard the earlier session, so that is a useful background for the discussion we are going to have. As I did with the first panel, can I ask each of you to briefly tell us who you are?

Maxwell Marlow: I am Maxwell Marlow. I am director of research at the Adam Smith Institute.

Fran Bennett: I am Fran Bennett, associate fellow at the Department of Social Policy and Intervention, University of Oxford.

Richard Hunt: I am Richard Hunt, and I am head of hospitality, catering and country parks for Leicestershire County Council.

Q34 **Chair:** You have come a long way today, so we are grateful to you and grateful to you all.



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I would like to ask each of you to say what you make of the way the cost of living support payments were targeted. Do you think that the targeting was effective? Do you think it could have been done better?

Maxwell Marlow: The belief of the institute is that, essentially, these were quite effective payments. They were put out in a timely and high take-up manner, given the fact that there was not specific targeting, and you obviously had to be in the system in the first place. It was quite well targeted at areas that needed it the most. What we saw over the period of the cost of living crisis is essentially that where the money went, it did fill some of the gaps that were left.

Reading some of the evidence that has been submitted to the Committee beforehand, we were particularly happy about the fact that it was a lump sum payment that was given out. It was quite good for individual households to look at their bills, look at what their plans were and better allocate the money to where it should go. That was very encouraging, and we were quite happy to see that.

Fran Bennett: I think that we will want to try not to repeat what has been said in several sessions already about the impact of these payments. To summarise, I think that cash first is the best approach for a start. As the Child Poverty Action Group said, at speed and at scale was possible with the ad hoc payment system that the Government have, but that also has limitations, particularly in terms of the qualifying period and, as has been said this morning, the one payment per benefit unit, which is a real issue.

It also has problems because of the algorithm for the Universal Credit calculation, which in itself needs to be looked at; the cuts in the benefit system already—benefit cap, two-child limit, local housing allowance and under-25s—which are therefore implicit in using the current benefit system to help with the cost of living; the inadequate amount already, which people have said; and the take-up problem. The Government are no longer publishing figures on any working-age take-up of benefits. Of course, we have the household support fund as well, and I will leave Richard to talk about that.

The Government have said that they will evaluate the cost of living payments, so a useful recommendation by the Committee would be that they should publish that evaluation. That would be very helpful. It is just worth saying that universal payments target all those in need better than any means-tested payments happen to do.

Richard Hunt: I can only echo what others have said. Our feeling has been that it has been something of a blunt instrument and that there are methods that offer more nuance around how support can be offered, and the household support fund has been a good example of that.

Q35 **Chair:** Tell us a little bit more about the household support fund. How effective has that been in Leicestershire in reaching people who need



help?

Richard Hunt: Every household support fund is different. It is money given by the Department for Work and Pensions to top-tier local authorities. Leicestershire's approach has had six elements to it, which have ranged from support for children on free school meals in the holidays through to support for food banks to purchase food for distribution and allowing charities to purchase energy-efficient white goods to give to people in need to lower their energy costs. One of the biggest bits we do is a referral scheme for support with food and fuel vouchers. Under the current iteration of the household support fund that started in April and runs for the next 12 months, we have allocated £3 million to that.

The way our schemes worked in Leicestershire is that rather than individuals or households applying to us for support through that scheme, instead they work with agencies they are already working with, and those agencies are a referring body into the scheme in Leicestershire. We have this group of well over 175 referring bodies now in the county that are already working with clients and households in need of support and referring them to us for support with the household support scheme. We know that this way, we are picking up people who fall through some of the cracks—some of the people who may be subject to the cliff edges that were talked about in the earlier session and things like that. Again, there is that nuance applied there.

We set out the broad eligibility criteria within our policies, but our household support fund has been very much set up around trusting professionals to make the decision over whether someone requires referral and support. We think that it is accommodating a breadth of need that perhaps is not otherwise offered.

One of the things we are proud of is that we know that everyone engaging with that system, because they are engaging with a referring body, is getting that ongoing support as well. This is not simply money that is given to a household and that's that. Because they have to have that form of referral, it means that there is a longevity to it. Certainly, even when they are referred and receive the money from us within the local authority, that is processed by a part of our public health department, which will ensure that people who have been referred to us get a telephone call and a chance to discuss whether they are taking up the correct amount of benefits to which they are entitled, with maybe a referral through to the warm home scheme within the local authority or any other support that can be offered.

Something that a lot of local authorities are very concerned about is that the cost of living payments are all time-limited. We are all very concerned about what happens at the end of all those. We have been working hard to build that sustainability in, so that if and when these payments come to an end, people are not just left.



Q36 David Linden: I think that we are all quite well versed now on the cliff-edge nature of these payments. Indeed, Ms Bennett, I think that you took part in a joint session between ourselves and the Treasury Committee on cliff edges. Given the fact that there is a cliff edge built into the eligibility criteria, does that blunt cut-off generally work, given the number of payments that are issued?

Maxwell Marlow: Yes, absolutely. We have done quite a bit of research on the nature of cliff edges within the fiscal system, a lot of it to do with the Chancellor's recent childcare reforms. Essentially, people receiving the benefits and these payments are smart people and they have the data in front of them, looking at the bills coming out. As was echoed on the last panel, that last pound really is very important. As we may come on to later, having a bit of a smarter system with a better taper rate that is a little better adjusted and more accurate would definitely help to make the system a bit more dynamic.

Although the Department has not released all the data yet—and it is definitely a recommendation that it is much more transparent on what the data coming out of this will be and for it to be released in a much shorter time period—it is certainly the case that when we look back on this as lessons learned, there will be a significant deficit in people who would have been eligible, in circumstances where they are trying very hard to put food on the table and so on; we will see a large drop-off in the take-up rate of that. It has made people worse off, unfortunately, and it is quite bad for the economy overall and for communities around the country.

Fran Bennett: There was quite a lot said about cliff edges in the Treasury Select Committee, at which some of you were present, and just now in the previous session, so I will not go on about that. Something that was not mentioned was that it may depend on the accident of timing as to how likely you are to get payments. As I say, I think that the nature of cliff edges has been adequately covered by other people.

Obviously, the one-off payments were able to be quick, accurate and straightforward, but it is also worth saying that both the household support fund, if Richard does not mind me saying so, and the completely separate ad hoc payment system that the DWP has developed are complexifying the benefit system further when Universal Credit was meant to be simplifying it. Universal payments are simple, like child benefit used to be, for example. We are developing parallel systems of giving people awards that we might well look at in future and say we should take back down again to a few simpler systems, rather than the accretions that have been happening over the last few months, understandably so.

The Government were doing the one-off payments partly because of timing. It was quicker to use the ad hoc payment system that they have developed than it was to do other things. However, they did cost of living payments in 2022, and they could have, as the Child Poverty Action



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Group has said, rethought them for 2023-24. They did not. They went on with the same system. That is worth querying.

Q37 **David Linden:** Mr Hunt, are you going to disagree with Ms Bennett and say that the system is much simpler and easier now from the county council's point of view?

Richard Hunt: I am not sure the county council would have an opinion on whether it adds complexity. I suppose that what local authorities would argue is that, because we know our local communities very well, schemes like council household support funds allowed us to be very targeted in our approach. That is something that a lot of people have echoed today; these schemes lack that targeting, and local government is quite well placed to offer some of that.

Fran Bennett: Could I clarify what I said there? I am certainly not arguing against the need for one-off, lump sum emergency payments in crisis. We had the local welfare assistance scheme. We still have the local welfare assistance scheme. Money could have been put into that to expand it. We need long-term, sustainable funding for one-off emergency payments for people as well. I certainly would not argue against that. Whether it is done at local or national level is a different issue.

Since we have the local welfare assistance scheme, we ought to be looking at the fact that the funding is no longer ringfenced for that. I think that 35 councils have stopped doing a local welfare assistance scheme completely, including my own county council of Oxfordshire, although the new regime is probably going to reintroduce it. That might have been used and should certainly be sustainably built up in future.

David Linden: That is very helpful. Thank you.

Q38 **Chair:** Picking up on that point, Fran, has the household support fund in effect not provided additional resources for local welfare assistance?

Fran Bennett: That is kind of what I mean, although I think the household support fund was probably also given out by the county councils or the other district council levels that did not have a local welfare assistance scheme any more.

Q39 **Selaine Saxby:** Good morning. How else do you think the Government could better support those households in need of financial aid for essentials during this cost of living crisis?

Maxwell Marlow: It may fall outside the remit of the Committee, but there is quite a lot of general tax reform that could take place. If you will humour me for a bit, stuff like fuel duty is very high. Unfortunately, the Government's public transport provision is not that good outside of metropolitan areas, so a lot of households need to drive some way to get to work, to school, to medical appointments and to facilitate care. The OBR puts fuel duty at a cost of £867 per household. That is quite a lot of money if you are already incredibly tight on your budget. The UK already



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has some of the highest fuel duty rates in Europe, if not the world, so we would definitely encourage the Government to have another look at that, especially given that people in metropolitan areas can walk, bike or take the Tube to work. It is just not the same in the regions.

For other things such as food and drink taxes—the more targeted stuff—when you take a decile look at the people in the economy, you see that for people from the 10th to the seventh decile, about 14% on average of their household budget goes towards food. The Government are moving ahead with banning buy-one-get-one-free meals in October, which has been quite criticised, more outside of public health authorities. You are essentially taking food off the table for families, and I do not think that is the right thing to be doing, given the crisis that we are in at the moment.

The Government have also suggested price controls. We have been saying for some time—in fact, we published a book when we first opened as a think-tank in 1977 called “Forty Centuries of Wage and Price Controls”—that they have failed everywhere they have been tried. The reason is that, essentially, you are creating shortages, and again, taking food off the table and off the shelves is going to affect the poorest in society the most. If you have more money, you can very easily go to other places to buy more food. The shortages created are very bad.

Finally—and again, this is somewhat outside of it—we would like to see thresholds raised for National Insurance. We would also like to have the personal allowance indexed unfrozen. If you look at when the personal allowance was frozen a few years ago and you add CPI inflation into the model, the personal allowance should go up from about £12,000 to about £17,000. That is £5,000 saved for households or individual earners. That would obviously overrun the single payments that have been put forward by the Government during this period. It is also bad for productivity and the long-run health of the economy. I understand that this is somewhat outside the remit of the Committee, but the welfare system we have is very much locked into the wider economic malaise that we are seeing across the country and, indeed, the world.

Fran Bennett: The problem with asking about alternatives is that there is a huge spectrum, from the things that we were talking about—I think Nigel Mills suggested a two-month qualifying period, rather than one month for the cost of living payments, for example—right up to what I thought was going to be a whole new benefit system but was a whole new tax system as well. It is quite a hard question to answer.

Maybe I could just talk about a few principles for making the benefit system in particular more sensitive. One would be the family and family size issue, which has been revealed by the ad hoc payments as an issue but was already an issue. We have had the two-child limit. We have had the benefit cap, which particularly affects families as well. We have also had not just the uplift but the ad hoc payments, none of those taking account of whether you have children or not. That is a real issue. It is a



direction of our benefit system in which I would not like to see us go any further. I would like to see us draw back from that. We may be going on to talk about international examples. It is not common internationally for that to be happening.

The other thing that may not be so obvious is the household unit, and particularly the household unit for payment for Universal Credit. I think that Refuge talked about this in its written evidence you, in terms of looking at individual payment as well as the household. I would like to see more emphasis placed on targeting individuals within households and, therefore, on more individual payments. Of course, the non-means-tested benefits we have are largely individual rather than family-based now.

Those are two things we might look at to more broadly target need better than we do at the moment. There are lots of other things you could say, particularly about the amounts of benefit and the essentials guarantee that was talked about in the previous session.

Richard Hunt: As you can imagine, I can probably argue that the household support fund works very well. I think that local authorities would welcome an expansion of that and could offer an expansion of that. The problem in the past has been that the Department has confirmed household support funds with very little time for local authorities to be able to deliver them. With more time and planning, local authorities will be able to deliver much better, more targeted schemes that deal with what their local areas require.

Certainly, for our set-up in Leicestershire, the last round of household support fund overspent by a quarter of a million, and the current scheme has spent a quarter of a million within the first month of opening. Demand is significantly higher than it has ever been, and that is just going to continue at the moment. We definitely think there is scope for an expansion in schemes like that that are very locally targeted.

Q40 **Nigel Mills:** While we are on the household support fund, Richard, I am keen to explore how far we could have gone. If we had rung you up and said, "Rather than giving every household on benefits £650, we would like to give you the equivalent amount of money for Leicestershire"—bearing in mind that every household on benefits was probably going to need some of that money to be able to pay a £1,200 increase in their energy bill—you would have just drowned, would you not, in trying to somehow quickly get money to thousands of households in Leicestershire with little notice in a crisis? That is just not a realistic policy option, is it?

Richard Hunt: You are right that that element would not be realistic, and you would be looking at a different approach rather than the blanket approach that was gone with. What you would have seen is more fluctuations in the value of grant offered and things like that. Households would have got an appropriate amount offered to them depending on the number of dependent children in the household or something like that.



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It would have been a different scheme if the household support fund had done it. Would it have reached the same number of people? Not in the timescales with which local authorities were given the money and the guidance by DWP. Do I think that local government has the mechanics to be able to offer that? Yes, with the right amount of planning, it could do. However, it would have been a different scheme, I think it is fair to say, albeit, we would argue, one with more nuance that was better tailored.

Fran Bennett: I take your point and have said that I think locally guided welfare—the local welfare assistance scheme; in other words, one-off payments in emergencies—is important. However, it is discretionary. It is cash-limited. It is often vouchers rather than money, and it is not as of right. We have to bear all those things in mind. It is also often not very much money. I take your point that you could have got £650, but not to those kinds of numbers.

The advice approach, which Richard was talking about—the integrated approach of ensuring that you add advice into the package and not just money—is very important. It always means that you have to have the support of local advice agencies as well as national benefit schemes. I think there is a limit to how far we can go down that road.

Maxwell Marlow: Can I build on that regarding advice and knowledge? I completely agree with Fran on that. The Government's own messaging around bills and energy bills has involved a company called Uswitch, which is quite a nice innovative little platform, basically putting into the hands of consumers good choices about how easy it is to switch between different providers, with some nice little tools online to tailor those suggestions. Definitely, utilising people's own wits and knowledge about their own household is quite important, as is speaking quite extensively to the private sector, which, believe it or not, does not want to have their customers freezing or starving and is happy to work very closely with the Government on solutions to this crisis.

I think that it was the late BEIS Department that spoke to Uswitch, but I would definitely recommend that the Government engage much more with the private sector on this. As I said, they are still quite concerned about the manner in which a lot of the households around the country and the communities are suffering during this quite terrible crisis.

Q41 **Nigel Mills:** I am keen to pick up on Richard's point. I do not know how many households in Leicestershire qualified for the cost of living payment; it would be tens of thousands, probably in the hundreds of thousands. It just would not have been realistic to ask every council to design a scheme, have different criteria, get people to apply and get that money out in what was a pretty fast-moving crisis. The energy crisis started last spring, and we were trying to get money out to people to pay their bills over the winter. It would have taken you longer than that to get enough people to process all the applications. It just does not strike me that we could use the household support fund as a way of responding



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to a crisis where we wanted to get significant amounts of money to millions of households.

Richard Hunt: No. I suppose if the objective is to get money out to a large number of households as quickly as possible, then no, that would not be the scheme you would use. It depends upon what you are setting out as the guiding principles for what you want to achieve. What we believe we have is a scheme that is tailored, but it is right, as you have said, that if what you value above everything else is getting a set amount of money into someone's bank account as fast as possible, that is a very different approach to what the household support fund offers. Going forward, now that we are in an arguably more stable position with the ability to plan more, I think that it offers a good model.

Fran Bennett: We need both. We need the money in people's accounts as of right, and we need a sensitive emergency system. We clearly need both.

One of the things that your question implied was that it is just council people who are administering this. I don't think that is always the case. Certainly in Oxfordshire, it was delegated to the district councils, and then they delegated to the advice sector to give out some of the money, particularly in nominating for food and fuel vouchers. The problem with that is that you tend to turn your advice sector into people who have to decide who is deserving of help and who is not, and that is not a role that they welcome in my experience. That is one of the things we should also think about. Clearly, you need advice as well as financial support, as we have said, but it is difficult for the advice sector to have that role in addition.

Q42 **Chair:** Richard, in Leicestershire did you use your existing local welfare assistance scheme to put the household support fund through or was it a new set-up?

Richard Hunt: We set it up as a new scheme.

Chair: Okay. Thank you.

Q43 **Neil Coyle:** I think you heard the earlier panel's discussion of whether we need a more supportive core benefit system or a top-up system in crisis, and you have already touched on part of this question's main issue. What are your organisations' views on the preference of re-uplifting Universal Credit or continuing the cost of living payments approach?

Maxwell Marlow: Given the fact that the one-off payments were, as we heard earlier, very gratefully received and did make an impact, the uplift would be useful; of course it would. It is just a matter of fact that more money in people's pockets means they weathered the crisis better. As an institute, that is where we would be facing. Our house view is a negative income tax, and that is something that I can expand on in greater detail later on if you wish.



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Sir Desmond Swayne: Yes, we will come to that.

Maxwell Marlow: Fantastic. Between one-off payments that are quite distant in between and a general uptake and flow of money coming into people's pockets over the long run, I think that does make much more sense. I do not think that the uplift was enough.

Fran Bennett: We need to be very clear about what we mean. The uplift was only to the standard allowance of Universal Credit and working tax credit, and people forget about the working tax credit. It was for one of the legacy benefits as well. It was only to the standard allowance of Universal Credit or the basic rate of working tax credit. If what you mean is an increase in benefit rates, then I would definitely agree with that, as did the previous panel, I think. I would agree with that for the non-means-tested benefits as well as the means-tested.

One-off payments were appreciated by some people because they were flexible and because they came all at once and you could pay off a particular thing—I know somebody who used it to buy a cooker because their cooker had just broken down, for example. There should be a system that copes with that, and there should be a system that is generous enough so that people can save up for that kind of emergency anyway.

Richard Hunt: I am not sure that I have anything more to add to that.

Q44 **Neil Coyle:** Fran, it sounds like your earlier criticism of complexifying the system would also allow for the introduction of something like the social fund to cover the emergency cooker replacement or alternative issues, as well as a more generous core system.

Fran Bennett: The local welfare assistance was meant to be a replacement for parts of the discretionary social fund, although it is a bit different because local authorities, as I understand it, do not have the capacity to administer loans. The loans element of the discretionary social fund got dropped by most councils doing local welfare assistance, I think. Yes, there has to be a back-up emergency payment system, but the most important thing is getting the basic structure of the benefit system right and its amount adequate.

One of the other things that we have not talked about is how you uprate benefits. It was mentioned briefly in the previous panel. You might have a system of uprating benefits that would use either reference budgets or the cost of living for low-income households, because we know they spend a larger proportion of their budget on these essentials, which have been going up enormously. There are different methods of uprating benefits and increasing benefits that might also be helpful.

Q45 **Neil Coyle:** To follow up on this issue of the uplift, the Government ignored the campaign to try to retain that uplift. The End Child Poverty statistics this week suggested a 600,000 increase in children in poverty,



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including seven in 10 children of working parents who are living in poverty. When you look at its stats and consider the impact of the reduction of Universal Credit and the cost of living crisis, what are your views?

Maxwell Marlow: Looking at the statistics, it was quite clear that the uplift was not in line with inflation. It is very concerning to see these large increases in child poverty especially but also poverty across the board. However, we are a free market think-tank, so we take into consideration the fact that money is very tight at the moment, especially in the Treasury. There is a lot of borrowing. Tax is at an all-time high. There is some sympathy from our perspective about not being so happy to uplift the benefits even more, but it is a very difficult argument to have when there is that very long-term future view that debt is unsustainable and there is also a large amount of poverty. That debate is somewhat out of the reach of an economic research think-tank, but at the same time, in my personal view, it is the case that the Government probably should have put some more money aside to uplift those benefits across the board.

Q46 **Siobhan Baillie:** Could I just come in quickly on Maxwell's point? Richard, I agree with you; my experience of the household support fund is that it has been successful. It enables the targeting of vulnerable households in a really good way. I think that the £20 uplift cost about £9 billion, and it has perhaps come down with reduced claimants. Is it your experience from dealing with vulnerable households that we could uplift the benefits payments and add the £20 back, and then we would still need to be putting money into a vulnerable support scheme? That is certainly my experience. I think that the household support fund is at least £1 billion, if not £1.5 billion, so we are basically ending up at £10.5 billion, which becomes quite unaffordable. Are you saying that you would not want to see the loss of the vulnerable support in any circumstances?

Richard Hunt: I think local authorities would believe that the loss of the ability to locally target support to those in need, particularly short-term support and emergency crisis-type support, would be to the detriment of our communities. The idea of saying we would not need something like the household support fund at the time of a cost of living crisis if benefits had been raised—I do not think that those two would have equivalence, if you like.

Siobhan Baillie: Maxwell, do you have a comment, given that you are across the affordability issue for the Treasury?

Maxwell Marlow: Yes. As I said earlier, it is a big concern, but if you are to look at the way in which the money flows from these payments down into the economy, they are in many ways recirculated. There are some down-the-line gains that Treasury can reclaim through additional spending, through indirect taxation, for example. It is not completely unaffordable, but if I were a special adviser I would say that we need to



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have a proper look at the targeting of this and definitely limit how much we are spending.

Fran Bennett: I would agree that we need an increase in benefits but also a backstop in terms of an emergencies pot.

Q47 **Debbie Abrahams:** You will probably not have much more to say on this. Given what you have said, Fran, about the need for a structural redesign of the system and the points you have made about increasing simplicity, reducing complexity and ensuring fairness across the plethora of different support payments, what would you do in an emergency system?

Fran Bennett: When you say an emergency system, do you mean a crisis for the country or people themselves?

Debbie Abrahams: The cost of living payment was introduced in a crisis situation as an emergency. Recognising that that needs to be available for us—we have talked about the local welfare assistance scheme as an example—what would you want to see? If you were in charge, what would you have done last autumn?

Fran Bennett: The increase in benefits would have to be first. It depends what your aim is. Clearly, the Government wanted to help all households in some way and, as I understand it, that is not the help we are talking about today. The amount that was taken off everybody's fuel bills, for example, was obviously part of addressing the crisis, but I do not think it is something we are looking at today. We are only looking at the cost of living payments and, as I understand it, those are the passported means-tested ones—the disability payment and the pensioner payment.

I have been concentrating mostly on the means-tested payment. That is the area I would look at. Clearly, you want to do something that is quick, effective—and effective has lots of different meanings—and can help those people who need it. I would have tried to do an increase in benefits as an emergency payment, but I can see that the ad hoc payment system that the Government have appears able to be quicker. One thing that we have not emphasised is that, unlike the uplift, the one-off cost of living payment does go to people on all the legacy benefits as well. We need to stress that it should be people on legacy benefits as well as Universal Credit who have an increase in benefits.

Q48 **Debbie Abrahams:** It seems to be a design issue, does it not, in how the payments are processed?

Fran Bennett: Yes. Part of the problem is that the Government have invested in IT, particularly for Universal Credit, but have somewhat neglected the IT for the legacy benefit systems because they are going to be phased out. That may be part of the issue that they are talking about.

Debbie Abrahams: Thank you. Would you like to add anything to that?



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Maxwell Marlow: Yes, I am happy to add to that. I am very thankful that we had the Universal Credit system. I do not think that the legacy benefit system would have been able to put up with the pandemic. I think that it would have collapsed. It was a bit of a mess. With the cost of living support, it was able to channel those payments in very quickly. It will be no surprise to anyone on the Committee that we would also have gone for some indirect tax cuts to help to cut down the actual cost of living on the essentials, on getting to work and on paying your fuel bill. There are a lot of taxes on your energy costs as well. It is no surprise there to anyone, but from our analysis, that would definitely have helped quite a lot.

Debbie Abrahams: Richard, do you want to add anything?

Richard Hunt: I am not sure I have a huge amount to add to this one.

Q49 **Steve McCabe:** I want to put this mostly to Fran. If the current cost of living support payments are not that effective, is there a better model that you would recommend?

Fran Bennett: I have probably already answered that, in that I think we should be reversing some of the cuts we have had in the benefit system. We should have more generous benefits, and we should have an emergency payment system to cope with emergencies.

Q50 **Steve McCabe:** That is it; there is not anything totally different that you want.

Fran Bennett: Something like the difference in methods of uprating—either you establish a reference budget, which is the kind of thing that the essentials guarantee has done, or you look at uprating itself in terms of increases with the costs of living that low-income households are facing, rather than necessarily just the average CPI. Those things would also be useful. There are lots of ways in which I would like to reform the benefit system, including the algorithm for the Universal Credit calculation, which is very rigid and holds us back in various different policy directions.

Q51 **Steve McCabe:** If I wanted to look at other countries, where would you tell me to look?

Fran Bennett: There are some examples of what has happened in the cost of living crisis from different countries. The OECD has looked at this for working-age people, and I also have information about different countries from other sources.

It is a very mixed picture. The elements are quite similar with the cost of living package that we have done in the UK. For example, Austria has given one-off cost of living payments, as we have. The particularly striking thing is the number of countries that have given more to children in this cost of living crisis. For example, Finland has increased benefits for under-18s by 10%. Canada has given extra for working families. Estonia



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and Austria gave more for larger families than they did for smaller families. Ireland I think has doubled child benefit. The Netherlands has given extra cash benefits for families. That is a clear path that we did not take.

Slovakia has indexed benefits with the living costs for low-income households. Belgium has given an increase on top of indexation for the next four years. Czechia and Sweden have given increases and helped with housing costs. Slovakia has given increased help to carers. Sorry, I am reading these because I cannot remember them all off the top of my head. Germany has given a heating cost allowance.

Then there are other things that are not to do with the benefit system. We are talking about benefits particularly today, but Ireland has given public transport subsidies, which we have as well because we gave the £2 bus ticket. France, as you probably know, has given Government discounts on certain basic goods. It has also given protection from disconnection in certain months. Luxembourg has an increase in the minimum wage and an increase in tax-free limits. There are lots of different things.

Steve McCabe: The child issue is the thing that you would emphasise.

Fran Bennett: I think that is the important one.

Q52 **Steve McCabe:** Thank you. Can I ask one last thing? I do not know if you heard the earlier panel, but I was asking about the £150 disability cost of living allowance. I was struck when I was looking at changes to the warm home discount, which is worth about £150, that according to the House of Commons Library about 300,000 households with people in receipt of a disability benefit are about to lose the warm home discount, basically because those benefits have been withdrawn from the eligibility criteria. Is that a case of giving with one hand and taking with the other?

Maxwell Marlow: I was quite baffled by this. Given the fact that people with disabilities do use quite a lot of energy—more than the average person—I was quite confused when the Government put this into place. I would suggest reversing that, because it seems a bit mean, and I don't like that.

Fran Bennett: It is not an area of expertise for me. I do not have anything to add to that or to what the person from Mencap said earlier.

Richard Hunt: Likewise.

Q53 **Chair:** Fran, you mentioned Slovakia. Did you say that it was uprating benefits in line with the costs for low-income households? Was that a separate index?

Fran Bennett: As I understand it, yes.

Chair: That is interesting.



Q54 **Sir Desmond Swayne:** Maxwell, can you explain the logic of your suggestion that the cost of living payment be made to any household without a higher-level taxpayer, rather than the more focused approach that has been adopted?

Maxwell Marlow: Our house view has been negative income tax across the entire system, and that is a fundamental shift. It does not just cover the one-off payments. I will quickly talk a little bit about what the differences are between UBI, which has been in the news quite a lot recently, negative income tax and the current system.

I will start with UBI. UBI is basically saying, "Here is 100 quid. You give me 50 quid later." It is a hard floor on income on households throughout the country no matter who is eligible. There is no means-testing involved. That has been discussed, and it is going to be trialled in a couple of areas in the country over the next few months. I have seen that there is quite a lot of outrage about it.

Sir Desmond Swayne: Quite?

Maxwell Marlow: Exactly, quite a lot of outrage. A negative income tax, on the other side, is a completely dynamic model. You may say, "How do you pay negative tax?" You don't. When you have a baseline of zero pounds income, you receive the maximum allotted.

This has been tried in three different places in the US, with some success. There is some concern, I believe, from the Conservative Benches that it would reduce the incentive to go to work. The actual figures that we find when these experiments were run is that this is not the case. The reason why we like it is because of the cliff edges that it eliminates. It is a completely tapered rate. There is no cliff edge anywhere on the system, and by the time you reach the break-even point, you gain nothing from the state and pay nothing to the state.

Even though it is a much more simple model with Universal Credit at the moment, it reduces the complexity completely and is much more efficient. Recent figures came out that about 5 million people are out of work. If they were to dip their toe into the water, they are quite concerned that they would immediately lose many of the benefits and payments that they receive from DWP. That is quite a large disincentive to return to work, and it is something that the economy is obviously feeling at the moment. With a negative income tax, this changes completely. Even if you enter low-wage work and the household income is still low, you still receive some benefits but not as much as those who are not in work. It is a gradual encouragement to moving up the career ladder.

As we see with the cliff edges, as I said earlier to Mr Linden, we saw with the childcare reforms that it is essentially telling people to not go for a pay rise or not to progress in their career because they could lose more money than if they chose not to take it. That that is bad for the economy,



and that is why we go for the negative income tax, which is a completely dynamic model.

- Q55 **Sir Desmond Swayne:** Other than the prejudice that idlers might choose to do nothing, what do you anticipate will be the principal obstacles to implementing such a magnificent system?

Maxwell Marlow: It is certainly a difficult system. One thing that we have had a look at is the computational power to process the algorithms to deliver this system. It would be quite a change from the way in which any other country does it, as I am sure we are all aware.

Computational power is the first big one. The Government's recent AI strategy—and I am sure that that is something we were not expecting to talk about here—is going to increase the computational power of the Government. Something that we recommend—and I know that Mel Stride is definitely a big fan of this—is increasing the tech take-up within the Department to essentially automate the state and make things much more smooth and dynamic, working all the time with few troubleshoots.

The other issue is, of course, the cost. We published something quite recently with Nikhil Woodruff from PolicyEngine, who found that if one were to abolish the personal allowance and replace it with a £33-a-week uplift from the current benefit system through a negative income tax, you could reduce the poverty rate across the country overall by 35%. He used quite a large dataset. We ran the numbers, and although there is some expense to start off with and to change things over—it would be a few billion—you would see a long-run benefit to everyone in the country.

- Q56 **Sir Desmond Swayne:** How many is a few billion?

Maxwell Marlow: A few billion. We do not have access to all the data, mainly because the DWP has not released all the figures yet.

Sir Desmond Swayne: A ballpark?

Maxwell Marlow: About £35 billion.

Sir Desmond Swayne: That is more than a few.

Maxwell Marlow: It is all relative.

Chair: I think that Fran wants to come in.

Fran Bennett: I was aware we were going to discuss negative income tax, but I was not aware that this is what this session was about. Because we have raised negative income tax, there are a few questions. What is the unit? Would this be jointly means-tested for everybody? What about individual taxation? What happens to that? What about individually based benefits? Do they all get abolished and merged into negative income tax, which is the only system we will have? How often are people means-tested with the adjustment made to their income? Can it be completely automated or not? There are all sorts of questions about a



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negative income tax that, were we here to talk about that, I would very much like to discuss.

Steve McCabe: I think you have given us a clue.

Q57 **Chair:** On the point about individual taxation, would that be lost under your proposal?

Maxwell Marlow: Not entirely, no. Another issue with our current taxation system is the cliff-edge problem. The benefit of the negative income tax is that it is an incentive to work. The graph that we drew is a completely linear graph. If you take a standard angle on the graph where the negative income tax rises, it is about 45 degrees. It is much more shallow than our current system, which is a higher degree.

Generally, it would lower taxes, which is better for the economy in our opinion, but it would also provide a much more seamless means of support, somewhat in line with the one-off payment. It gives much more flexibility to families receiving the negative income tax.

Fran Bennett: The other interesting thing is what happens about conditionality. Clearly, the current Government and previous Governments before them have been quite interested in conditionality. I am not going to comment on it, but I wonder whether, like with a universal basic income, the negative income tax also does away with conditionality.

Maxwell Marlow: There will be some conditionality. I would also like to comment that it would have to be added to by disability benefit and other areas where people have a greater expense on their household, including with children. It is not just the simple model that Milton Friedman first put out when he was suggesting it back in the 1970s; it would require a little bit more tailoring, which I am sure the DWP is most capable of.

Q58 **Sir Desmond Swayne:** You referenced a number of studies where, counterintuitively, it had not led to people shirking because they had an income. Is there any detail on the analysis of why that may not have been the case?

Maxwell Marlow: I can send the studies to the Committee afterwards if it would like, for further reading. There are a lot of numbers and models and details that I do not think would fit *Hansard* and would certainly be a bit easier on the eye to read through, so I am very happy to write to the Committee later with those studies.

Sir Desmond Swayne: I would be most grateful.

Chair: We will study them with great interest. Thank you very much.

That concludes the questions that we wanted to put to you. We are very grateful to you all for being willing to give evidence to us this morning and for the very helpful information you have provided. Thank you very



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much.