



Department
for Work &
Pensions

Minister for Welfare Delivery
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Caxton House
Tothill Street
LONDON
SW1H 9DA

Rt Hon Stephen Timms MP
Chair, Work and Pensions Select Committee

12 July 2022

Dear Stephen,

Thank you for your letter of 20 May to the Prime Minister about Universal Credit and Cost of Living. I am responding as the Minister with responsibility for this policy area. I apologise for the delay in sending this letter.

The Government recognises the pressures people are facing with the cost of living. On 26 May, we announced over £15 billion in targeted support for those with the greatest need, bringing the total package of Cost-of-Living support to £37 billion this year.

This includes supporting 8 million low-income families, receiving means-tested benefits across the UK with a one-off Cost of Living Payment of up to £650, paid in two instalments. The payments will be made automatically from mid-July.

The Government recognises that disabled people may need extra support to deal with the impacts of higher inflation, which is why 6 million disabled people who are in receipt of a qualifying disability benefit will receive a one-off, Disability Cost-of-Living Payment worth £150. Households will receive a payment for each eligible disabled person.

In addition to the £15 billion targeted Cost-of-Living Support, millions of families will benefit from the wider package of measures, including:

- a £400 energy rebate, for all domestic energy customers to support with electricity bills under the Energy Bills Support Scheme and;
- a £150 Council Tax rebate in England for those in bands A-D.

The Government is also providing an additional £500 million to help households with the cost of essentials, bringing the total funding for this support to £1.5 billion. In England, £421 million will be used to further extend the Household Support Fund from October 2022 to March 2023. Guidance and individual local authority indicative allocations for this further extension to the Household Support Fund will be announced in due course.

Turning to the specific question you raised in relation to uprating of benefits.
Have you now considered an interim rise in uprating Universal Credit and legacy benefits to bring them in line with the rising rates of inflation?

The Secretary of State for Work and Pensions undertakes an annual review of benefits and pensions. The next review, ahead of the 2023/24 tax year, will commence in the autumn. The Consumer Prices Index (CPI) in the year to September is used to measure prices and the Average Weekly Earnings (AWE) figure for the period May to July is used to measure earnings. These indices are the latest that can be used to allow sufficient time for the required operational changes before new rates can be introduced at the start of the new financial year. This has been convention since April 1987, for the relevant price inflation index, and there are no plans to change the reference period.

It is also worth noting that, the targeted Cost of Living Payment will provide £650 to families eligible for both payments, whereas uprating the same benefits by 9% from April 2022 would only be worth, on average, £530.

The action taken to date, demonstrates the Government's commitment to provide help for households to manage the cost-of-living challenges.

I trust this clarifies the Department's position on the matter.

Kind Regards,

A handwritten signature in black ink, appearing to read 'David Rutley', with a horizontal line underneath.

David Rutley MP
Minister for Welfare Delivery



Work and Pensions Committee

House of Commons | London | SW1A 0AA

From the Chair

20 May 2022

Dear Prime Minister,

Universal Credit – The cost of living

At the Liaison Committee on 30 March 2022, I discussed with you how the rising cost of living is affecting people who are not in work and are reliant on Universal Credit. The Committee has asked that I write to you setting out steps the Government could take to help people battling rising living costs on very low incomes.

We are particularly concerned that benefit payments are falling far short of the rising rate of inflation. After the £20 per week temporary uplift to Universal Credit was removed last October, the headline rate of benefits was the lowest in real terms for over thirty years. As you know, [twelve-month CPI Inflation rose to 9%](#) in the year to April 2022 and [the Bank of England](#) has predicted that by the end of the year, CPI inflation will have risen to around 10%. Last month, people on benefits, some of the most hard-pressed in our society, received an uplift of just 3.1% and they aren't expecting another uplift until April 2023.

During the Liaison Committee, I asked why the Spring Statement included no additional help for people dependent on benefits. We appreciate recent actions the Government has taken to alleviate financial hardship, including the temporary £20-a-week uplift to Universal Credit during the pandemic, the reduction in taper rate, and the introduction of the Household Support Fund. However, we have heard evidence that many people need more support urgently, given rising energy, food and other living costs.

At the Liaison Committee, you discussed whether benefits could be uprated in advance of April 2023, using a more recent measure of inflation to ensure people on Universal Credit and legacy benefits aren't managing a huge loss in their real incomes. You said in answer to the Chair of the Treasury Committee:

I am going to have to go and look at how you do it in a fiscally neutral way [...] But I am very happy to ask the Treasury to look at your suggestion.

In the [Tackling Short-term and Long-term Cost of Living Increases](#) debate this week, The Chair of the Treasury Committee and I called for an interim benefits increase - I suggested increasing Universal Credit immediately and legacy benefits in October - in response to current high inflation.

Have you now considered an interim rise in uprating Universal Credit and legacy benefits in order to bring them more in line with the rising rates of inflation?

If the Government is not considering this, please update my Committee on how the Government is planning to support people who are out of work and on low incomes during this time in which living costs are rapidly rising.

We would be grateful for a reply by **Friday 10 June**.

Yours sincerely,

A handwritten signature in black ink that reads "Stephen Timms". The signature is written in a cursive style with a horizontal line above the name.

Rt Hon Stephen Timms MP
Chair