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Work and Pensions Committee

The cost of living

Second Report of Session 2022–23

Report, together with formal minutes relating to the report

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Work and Pensions Committee

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We first took evidence on the cost of living crisis in February 2022, when inflation was forecast to peak at 7.25% in April 2022. Since then, we have seen the invasion of Ukraine compound the difficult economic picture and inflationary pressure seen internationally and domestically after the COVID-19 pandemic, and inflation now looks set to top 11% in October—the highest in 40 years. However, the context for the cost of living crisis and its impact on the poorest in our society reliant on social security support, particularly those of working age, must be recognised. According to the 2019 figures from the Resolution Foundation, social security spending will be around £34 billion lower in 2023–24 than it would have been if the 2010 social security system had remained in place. The UK's social security support as a percentage of GDP is below EU-27 and OECD averages.

Since our inquiry opened, the Government has announced a collection of measures to try and help households with the rising cost of living, initially in February and March and supplemented in May with a more substantial package. These interventions have been broadly welcomed, especially for combining universal support with more targeted payments delivered through the benefits system, and including those on legacy benefits.

As well as recognition and gratitude for the scale of intervention, we have also heard some concerns. These often reflected more long standing problems with the UK's social security system, which high inflation has laid bare. It also reflects the fact that the cost of living crisis is impacting heavily on those already most vulnerable, who rely on these safety nets. We urge the Government to simplify the support mechanisms to ensure households understand what support they are entitled to.

The adequacy and uprating of social security

Much of the Government's cost of living package is made up of one-off payments, with the Government clear that these are emergency measures and will not become ongoing or regular payments. We have heard that part of the reason these were chosen was administrative, and using them allowed those on legacy benefits, who did not receive the £20 uplift during the COVID-19 pandemic, to be included—we welcome this inclusion. But as we've heard before, regular, predictable income rather than lump sums is better for households trying to manage a budget, and we urge the Government to limit the use of one-off payments and prioritise other options.

We heard that a big cause of pressure on finances for benefits claimants was the failure of the uprating mechanism to keep pace with inflation—the April 2022 rise, when inflation was already 9%, was based on the CPI rate from September 2021, which was 3.1%, causing a real-terms fall in income. The reasons given to us by the Government for this seven-month gap are very similar to what we heard during the pandemic—legacy IT systems require manual inputting, meaning changes take months to implement. It is unfortunate that this wasn't referred to in the Government's response to calls for social security support to be uprated in line with inflation estimates when The Social Security Benefits Up-rating Order 2022 was debated in February this year. We repeat our previous recommendation that these issues should be addressed, and call on the Government to close the gap between the inflation reference point and uprating.

The cost of housing was mentioned regularly as a problem, especially since the level of Local Housing Allowance (LHA) has been frozen in cash-terms since 2020 when the Government made the welcome decision to reset its value to the 30th percentile. We recommend that this link should be maintained and LHA increased to support people on low incomes to access secure, affordable housing. We also recommend that the Government should consider the appropriateness of resorting to the use of discretionary funds such as the Household Support Fund. The Government must review whether the standard levels of benefits are adequate, including benefits for disabled people. Discretionary funding should not replace core funding. Where discretionary funding must be used, there must be clear reporting to ensure it is going where it is most needed.

The benefit cap

The benefit cap has remained frozen at the same level since it was lowered in 2016, and has not been reviewed by the Secretary of State, despite the statutory requirement to do so every five years. We have heard evidence that echoes what our predecessor Committee heard in its 2019 inquiry: that it is causing real hardship and mainly affects larger families. When that Committee called on the Government in their report to increase the cap in line with inflation, the Government said it could not, as the Secretary of State was already required to review the cap, and "to do so would pre-empt the outcome of such a review." Three years on, this review has still not taken place—we recommend the Government conducts it urgently, reflecting the spirit and intent of its statutory obligation, and uprates the cap accordingly.

Deductions

The impact of deductions on claimants was detailed regularly in the submissions we received, with many calling for a pause or reduction as a measure to give people some extra breathing space during the cost of living crisis. We heard that repaying advances (particularly from the five-week wait) left many people struggling when they moved onto Universal Credit, and deductions for overpayments were often unclear and unexpected, some coming years after they were accrued. Repayments to the DWP are not subject to the same affordability assessments expected in consumer credit markets, and many families simply cannot afford these deductions from social security payments, which are already behind inflation. We recommend that, as during the pandemic, repayments should be paused and only restored gradually as the rate of inflation reduces, or when benefits have been uprated to reflect the current rate of inflation. If deductions aren't paused, the Department must ensure that accessible and practical debt advice is available to those struggling. We also ask the Government to reconsider the Committee's recommendations on deductions and debt in our 2020 'Universal Credit–the wait for a first payment' report.

Pension credit

Many people who need Pension Credit don't claim it. Increasingly it is an important way of ensuring older people have the support they need during this crisis. We welcome the recent steps the Government has taken to raise awareness and there are indications that this has resulted in an increase in claims. However, the Committee also heard that awareness raising can have limited impact unless it is targeted and sustained. We therefore recommend that the Department work with stakeholders to develop an evidence-based take-up strategy by the end of 2022. This should set out the actions that will be taken to deliver on this strategy over the next five years, with an annual update to the select committee on achievements to date and any amendments to the strategy.

1 Introduction

1. The UK is currently facing a cost of living crisis that is likely to see inflation peak at slightly above 11% in October, the highest in 40 years.[1] This has been driven by strong demand for consumer goods, high energy prices and the increase in business costs (such as energy, transportation and labour). These trends have been seen worldwide as economies reopen after the COVID-19 pandemic, and have been exacerbated by recent supply shocks and energy price increases caused by the Russian invasion of Ukraine. This has rapidly increased energy and road fuel prices, which have then increased costs across other sectors. In June 2022 consumer price inflation was 9.4% in the UK, the highest in the G7.[2] The energy price cap increased by 54% in April 2022, with another rise due in October that will impact families' bills.[3] Some estimates now suggest household energy bills will reach £3363 this winter.[4] Petrol prices have recently exceeded £1.90 a litre, with diesel approaching £2.00 a litre at the time of writing.[5] Food prices have also increased by 8.6% in the year to May 2022 and may continue to rise sharply as the impact of the war in Ukraine continues.[6] One research firm, Kantar, have forecast that the average annual grocery bill will rise by £380.[7] The Government has acknowledged that "millions of households across the UK are struggling to make their incomes stretch to cover the rising cost of living" and has announced support measures in response.[8]

Our inquiry

2. We first took evidence on the cost of living crisis in early February 2022, prior to the invasion of Ukraine, when inflation was forecast to peak at 7.25% in April 2022.[9] We heard from the Secretary of State for Work and Pensions, Citizens Advice, the Trussell Trust, the Institute for Fiscal Studies and the Joseph Rowntree Foundation. We held a further session in March, and heard from Jack Monroe, Independent Age, National Energy Action and economists and policy experts. As the cost of living package was announced by the Government, we sought views on how the Government should approach the uprating of benefits and state pensions, deductions from Universal Credit and legacy benefits and increasing Pension Credit take-up. We have received more than 50 written submissions responding to our terms of reference—we are grateful to everyone who has contributed. We questioned the Secretary of State for a second time on the cost of living in June 2022.[10] We have focused our inquiry on how far the Government's cost of living package will protect those most in need, and how effectively the social security system was able to respond and provide support. We have also heard numerous concerns about how the current crisis exposes longer standing problems with the adequacy of social security benefits, which we discuss further in Chapter 2, and this continues to inform the Committee's wider

1 Bank of England, Monetary Policy Summary and minutes of the Monetary Policy Committee meeting, June 2022
2 ONS, Consumer price inflation, UK: June 2022
3 Ofgem, press release: Price cap to increase by £693 from April, 3 February 2022
4 BBC, Cost of living: Energy bills forecast to hit £3,363 a year, 8 July 2022
5 Department for Business, Energy and Industrial Strategy, Weekly road fuel prices, 12 July 2022
6 ONS, Food and non-alcoholic drink component of CPI, annual rate of change, series D7G8 [22 June 2022 update]
7 BBC, Food bills are set to soar by £380 this year, 21 June 2022
8 HM Treasury, Cost of living support factsheet: 26 May 2022 [accessed 4 July 2022]
9 Bank of England, Monetary Policy Summary and minutes of the Monetary Policy Committee meeting, February 2022
10 Work and Pensions Committee, The cost of living, oral evidence transcripts

work.[11] This report will outline what we have heard and make recommendations to the Government to ensure those who rely on different elements of the system can cope with rising living costs.

Government action: cost of living package

3. The Government has responded to the crisis by announcing additional measures to support households. These have increased substantially as the impact of the invasion of Ukraine has become clear, making the crisis both deeper and longer lasting. An overview and timeline of the measures, worth £37 billion, is below.[12] Some of these measures—the £650 Cost of Living Payment, £150 Disability Cost of Living Payment, £300 Pensioner Cost of Living Payment and the Household Support Fund—are funded and administered by DWP.[13]

Table 1: Government support measures

Support measures	Eligibility	Cost
£150 non-repayable Council Tax rebate (announced February 2022)	Households in England in Council Tax bands A-D	£3.1 billion
Spring Statement 2022 measures: Rise in NICs thresholds 5p cut to fuel duty & cut to 0% VAT on energy saving materials	NIC threshold raised from £9,880 to £12,570, Government estimates around 2.2 million people will be taken out of paying Class 1 and Class 4 NICs & typical employee will save £330 annually.[14]	NI: £6.25 billion Fuel duty cut: £2.39 billion (+£1.51 billion cost of earlier freeze)
£400 Energy Bills Support Scheme (announced February 2022, increased from £200 and made non-repayable in May 2022)	All households with a domestic electricity meter	£12.00 billion
£650 Cost of Living Payment	More than 8 million households in receipt of means-tested social security benefits and tax credits: Universal Credit, Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit, Pension Credit. This payment will be tax-free, will not count towards the benefit cap, and will not have any impact on existing benefit awards.	£5.4 billion

11 See for example the Committee’s inquiries on: Universal Credit and childcare costs; Plan for Jobs and employment support; Children in poverty; Protecting pension savers; Health assessments for benefits
12 HM Treasury, Cost of living support factsheet: 26 May 2022 [accessed 5 July 2022]
13 With the exception of Tax Credits Customers (HMRC)
14 HM Treasury, Spring Statement 2022, p.29

Support measures	Eligibility	Cost
£150 Disability Cost of Living Payment	Around 6 million people in receipt of qualifying benefits: Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Scottish Disability Benefits, Armed Forces Independence Payment, Constant Attendance Allowance, War Pension Mobility Supplement	£0.9 billion
£300 Pensioner Cost of Living Payment	8 million pensioner households eligible for Winter Fuel Payment (paid in addition)	£2.5 billion
£500 million of extra funding for the Household Support Fund (takes total to £1.5 billion since announced in September 2021 and extended in March 2022)*	Administered by local authorities to make discretionary payments to those most need towards the rising cost of food, energy, and water bills. Includes those not eligible for Cost of Living Payments.	£1.5 billion (total)

Source: < HM Treasury, Cost of living support factsheet: 26 May 2022 [accessed 5 July 2022]; Rising cost of living in the UK, House of Commons Library Research Briefing 9428, 22 June 2022, Box 2 p.26; Main Estimates: Government spending plans for 2022/23, House of Commons Library Research Briefing 9563, 27 June 2022, p.12. Note: £37 billion figure also includes changes to UC taper rate, work allowance and NI changes for low income self-employed. *£500m includes funding allocated to devolved administrations through the Barnett formula. England only figure £421m>

Reaction to the cost of living package

4. Organisations submitting evidence to our inquiry broadly welcomed the Government's support measures and acknowledged the Government had gone to some lengths to try and ensure they were targeted as well as possible, while also providing some support to everyone. The Social Market Foundation, a cross-party think-tank, described the support package as a "substantial intervention, which offers an appropriate level of protection to most households against the rising cost of living."[15] The Resolution Foundation, a think tank focused on living standards, estimates that on average, the measures will "offset 82% of the energy price increase facing households, and 93% of the cost for the poorest 30%"—though it is worth noting that non-energy costs are also set to rise, so households may still be worse off.[16] Shelter, a housing and homelessness charity, "strongly welcomes these measures and the fact that the bulk of support has been targeted at low-income households through the benefits system", and also approved of the decision to exempt these payments from the benefit cap.[17] Age UK, a charity working for needs and rights of older people, said the "support will be helpful to many older people, particularly those receiving means-tested benefits or living with a disability."[18] Mencap, a charity supporting people with learning disabilities, also noted the "inclusion of a payment for disabled people on legacy benefits which in the past have been left out of Government support, such as with the UC uplift."[19]

15 Social Market Foundation (COL0007)
16 The Resolution Foundation, Back on target: Analysis of the Government's additional cost of living support, 27 May 2022
17 Shelter (COL0014)
18 Age UK (COL0016)
19 Royal Mencap Society (COL0022)

5. Despite the overall package being widely welcomed several organisations, including those who welcomed Government measures, noted concerns about some of the details and omissions, particularly for groups who are disproportionately likely to be affected by the crisis.

Larger families

6. Larger families will be hugely affected by rising energy costs as they may have larger homes to heat. This is particularly true for those living in energy inefficient housing, as National Energy Action, a fuel poverty charity, told us.[20] Save the Children, a children's charity, noted that "children in larger families are already at greater risk of being in poverty–almost half (47%) of children in a family with 3 or more children were in poverty in 2020."[21] The Legatum Institute, a think tank, told us that:

> Support provided to families with children may prove inadequate. A single adult and a lone parent, both claiming means-tested benefits, will receive the same £650 support payment, despite the lone parent facing higher costs. This is borne-out in our modelling, which suggests that 140,000 children will be protected from poverty by the announced measures, compared to 230,000 children protected under a 10% uprating. Generally, providing a flat payment to all claimants will offer proportionally less support to those with larger claims: typically the groups receiving less support will be those with disabilities, several (young) children or high housing costs. For disabled claimants, this is effectively addressed through the £150 payment provided to those claiming extra-cost disability benefits. The package of support would benefit from the inclusion of a similar Cost of Living Payment to the parents of young children.[22]

Larger families are likely to be subject to the two-child limit, and possibly the benefit cap, which we discuss further in Chapter 3.

Pensioners

7. Independent Age, a charity supporting older people, told us that while the cost of living package was welcome, "before the cost of living crisis, pensioner poverty was increasing."[23] Of the package, they said:

> The design of these measures means that people with more complex circumstances for energy bills do not get adequate support to meet their needs. These include those older people who use prepayment metres (which have a higher Ofgem price cap) and those living in large homes that are harder to heat.[24]

20 National Energy Action (COL0008)
21 Save the Children UK (COL0039)
22 The Legatum Institute, (COL0030)
23 Independent Age (COL0051)
24 Independent Age (COL0051)

Both Independent Age and Age UK noted that the measures were based on the current energy price cap, and more support may be required when this increases again. Age UK also underlined the importance of encouraging uptake of Pension Credit to provide more support to older people on lower incomes.[25] We discuss this further in Chapter 5.

Disabled people

8. Organisations representing and supporting disabled people said that many disabled people face above average energy costs and said they feel the support offered is not sufficient. Mencap said that "the £400 per household only covers half the projected average energy cost rise of £800 by October 2022."[26] The Disability Poverty Campaign Group, a countrywide coalition led by Disabled people-led organisations (DPOs) told us that "it is very expensive to be Disabled" and "'extra costs benefits' designed to address the additional costs (for example, PIP, DLA, and AA) are insufficient, and have never been pegged to the actual amount of extra costs Disabled people face."[27] Energy prices especially can have a greater impact on some groups, such as those with disabilities or health conditions and older people, who are more likely to have multiple health conditions as well as limited fixed incomes. The charity Leonard Cheshire said that disabled people were having to choose between "heating or eating", a theme we have heard repeatedly during this inquiry.[28] Mencap also detailed how many disabled people have higher energy costs due to extra mobility or hygiene needs such as running "electric wheelchairs and scooters, or frequent use of washing machines and tumble driers."[29] *The Disability Price Tag 2019* report by Scope, the disability equality charity, concluded that:

> "On average, disabled adults face extra costs of £583 per month … [and] one in five disabled adults faces extra costs of over £1,000 a month even after they have received welfare payments designed to meet those costs."[30]

9. We are aware that the Warm Home Discount Scheme, funded by the Department for Business, Energy and Industrial Strategy (BEIS) has previously recognised these increased costs for disabled people, but recent changes to eligibility will mean disabled people who do not claim a means tested benefit lose entitlement. So, whilst disabled people are eligible for the £150 Disability Cost of Living payment, some disabled people have lost the £140 Winter Fuel Payment, meaning a net increase of just £10. The Impact Assessment carried out by BEIS estimates this will affect 290,000 people.[31] We asked the Secretary of State if she was "worried this looks like the Government giving with one hand and taking with the other". She told us that it was "the right approach" and that more people overall would gain from the changes.[32]

25 Age UK (COL0016)
26 Royal Mencap Society (COL0022)
27 Inclusion London, Disability Rights UK (COL0045)
28 Leonard Cheshire (COL0027) See also Rory Weal (Trussell Trust), Q7 and Carers UK Carers UK (COL0023)
29 Royal Mencap Society (COL0022)
30 Scope, The Disability Price Tag, 2019, p.2–3
31 BEIS, Warm Home Discount - The Government Response to the Warm Home Discount: Better targeted support from 2022 consultation (April, 2022) p.12
32 Qq52–56; According to the Impact Assessment, "analysis models an increase in the number of recipients who declare they have a long-term illness or disability by 160,000, an increase of 12% compared to the current scheme." - BEIS, Warm Home Discount - The Government Response to the Warm Home Discount: Better targeted support from 2022 consultation (April, 2022) p.12

Carers

10. We also noted that there was no direct support for unpaid carers as part of the cost of living package, despite the fact that of the one million working age Carer's Allowance claimants only 59% claim a means-tested benefit, meaning 41%—over 400,000 people—will not receive any additional help.[33] Carer's Allowance is the lowest benefit at only £69.70 a week: the Royal National Institute of Blind People and Mencap told us many carers are struggling with rising food and energy costs and are incurring debt and many organisations, including the Joseph Rowntree Foundation, Carers UK and the MS Society, have called on the Government to provide a one-off payment to carers in receipt of Carer's Allowance.[34] This has been done in some areas across the UK—the Welsh Government have announced a £500 payment for carers in Wales.[35] The Scottish Government also provides carers in Scotland with a supplementary payment of £245.70, in addition to Carer's Allowance.[36]

11. **The Committee welcomes the Government's swift action and range of measures introduced in response to the cost of living crisis. It is clear that these will offset some of the increased costs for households living in poverty. However, we have heard very concerning evidence about the impact of the crisis on disabled people, older people, carers and larger families in particular.**

12. ***We recommend that the Department for Work and Pensions engage with the organisations mentioned throughout this report to assess what further or more direct support needs to be provided to any of these groups as the cost of living continues to rise. We also urge the Government to simplify the support mechanisms to ensure households understand what support they are entitled to and enable them to chase up receipt.***

33 RNIB, COL0013

34 Royal National Institute of Blind People (COL0013); Royal Mencap Society (COL0022)Joseph Rowntree Foundation (COL0044)Carers UK (COL0023)MS Society (COL0038)

35 Carers UK (COL0023)

36 Mygov.scot (accessed 15 July 2022)

2 The adequacy and uprating of social security

13. While the Government's cost of living support package has been widely welcomed, many have suggested that the fact it is required at all means social security is not set at a sufficient level to sustain people. Advice NI, a membership organisation for the independent advice sector, said that: "We have had a decade of austerity coupled with income inadequacy, whether that is income from benefits or from paid employment."[37] Save the Children said:

> These measures, while welcome, are sticking plasters. They were introduced because the social security system was not providing adequate support to families on low incomes. This should not be the model we rely on as a country. The Government needs to invest in social security in a long-term, sustainable way, to ensure that people relying on UC have enough to afford the basics and weather difficult times when they arise.[38]

One-off payments

14. We asked the Secretary of State why the Government's measures are mainly one-off payments, rather than more sustained investment through the benefit system (such as increasing Universal Credit). She told us: "we recognised that this is intended to be a one-off payment for this year. It is not intended to be a permanent benefit. The Government recognise the challenges that people are facing."[39] This is despite a discussion with the Committee in February 2021 about the Department's response to the pandemic, where she said one-off payments "would not be one of the Department's preferred approaches" for providing financial support.[40]

15. Among the reasons given by those submitting evidence to this inquiry was that households find it easier to budget with a steady income, whereas lump-sums can get swallowed up quickly, especially if people have debt. Save the Children also noted that an uplift, such as the £20 a week applied during the COVID-19 pandemic, would cover all recent claimants and avoid the problems we heard around cut-off dates.[41] Advice NI said that "giving people a one-off lump sum payment does not change their circumstances. It only provides momentary respite from a perpetual state of poverty."[42]

16. The £20 uplift in Universal Credit was also only available to Universal Credit claimants. People on most of the legacy benefits that UC is replacing received no uplift during the pandemic, although the basic element of Working Tax Credit was increased between April 2020 and April 2021.[43] The Government has said this is in part because the uplift was intended to help those newly unemployed (who would be applying for UC rather than legacy benefits). We were also told the relative agility of the UC IT system made it possible to deliver the uplift at a pace that would not have been achievable on

37 Advice NI (COL0015)
38 Save the Children UK (COL0039)
39 Q12
40 Work and Pensions Select Committee, DWP's response to the coronavirus outbreak, 3 Feb 2021, Q415
41 Save the Children UK (COL0039)
42 Advice NI (COL0015)
43 HM Government Increase to Working Tax Credits - what this means, 23 March 2020

legacy systems.[44] Our previous recommendations to the Government are outlined in the box below. That the new support announced also includes those on legacy benefits was welcomed by some submitting evidence.[45]

Box 1: Previous recommendations on benefit uplifts

- We recommend that, now that the initial surge of Universal Credit claims has mostly been handled, the Department should immediately seek to increase the rates of relevant legacy benefits by the equivalent amount. This increase should be backdated to April 2020, as recommended by the independent Social Security Advisory Committee.
- We recommend that the Department work to increase the speed with which changes can be made to legacy benefit rates.

In response to these recommendations, the Government suggested people move to UC if "they believe they will be better off" and pointed to their investment "in Universal Credit which is more agile than the systems that support legacy benefits."

- We urge the Government not to end the temporary increase in Universal Credit and Working Tax Credit, as planned, on 6 April 2021.
- We urge the Government to abandon any plans for a one-off payment to claimants of Universal Credit and Working Tax Credit.
- We […] recommend that, if the Chancellor cannot yet commit to making the increase permanent, he should at the very least extend it for a further 12 months. The Government should then announce its future plans for the rate of Universal Credit no later than the Autumn Statement 2021, to give claimants enough time to plan and budget.

The uplift was extended by six months in the March 2021 budget, but the Government announced in July 2021 it would not be extended further, and it ended in October 2021.

Source: < House of Commons Work and Pensions Committee, First Special Report - DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, (HC 732) 2 September 2020, p.3>

17. **We welcome the inclusion of those on legacy benefits in the Government's support measures. We recognise that there are logistical difficulties in getting the necessary support in place quickly, but the Government does not seem to have taken on board our previous recommendations to improve systems.** ***While we understand that in this case one-off payments may have been quicker to put in place, and able to reach more people, we agree with the Secretary of State's opinion from 2021 that they are not the preferred approach. We recommend that other options, such as more responsive benefit uprating, are prioritised in future.***

Uprating

18. The Secretary of State is required by law to review certain benefit rates annually to ensure they retain their value.[46] The Social Security Administration Act 1992 requires some benefits, including Personal Independence Allowance and Disability Living

44 Work and Pensions Select Committee, DWP's response to the coronavirus outbreak, 3 Feb 2021, Q421
45 See for example North East Child Poverty Commission (COL0026) and Lloyds Bank Foundation for England & Wales (COL0018)
46 Social Security Administration Act 1992, part X

Allowance, to increase at least in line with prices.[47] State pensions are required to rise in line with earnings and in addition to these requirements pensions have been subject to the 'triple lock' since 2012/3, which uses the highest of earnings, CPI or 2.5% (with the exception of 2022/3, when the average earnings measure was affected by the impact of the pandemic on the labour market). Other benefits, broadly those that come under the umbrella of 'working-age benefits', are subject to more discretionary reviews.

19. In the 2012 Autumn Statement it was announced that increases in most working-age benefits would be limited to 1% a year for three years. They were then subject to a four-year freeze, which ended in April 2020.[48] In April 2022 the UC standard rate received the same 3.1% uprating as that given to the benefits required to be increased by law. This followed the removal of the £20 a week uplift, and changes to the taper rate made in Autumn 2021.[49] The State Pension and Pension Credit Guarantee were also increased by 3.1%, following legislation to suspend the earnings element of the triple lock for 2022/23.[50] The Secretary of State confirmed that the policy of the triple lock would be reinstated and that the Government had consistently taken a similar approach for Pension Credit.[51]

20. The gap between the September CPI rate used to increase benefits, and the actual rate of inflation in April, means that claimants have already seen a real-terms fall in the value of their income. The impact of high inflation is making this even more critical and highlighting the problems caused by unresponsive, out of date IT systems that require updating manually. Those benefits that were uprated this year were increased by 3.1%, the CPI rate taken from September 2021. By the time they were implemented, CPI was already reaching 9%.[52] As uprating currently happens annually, the next increase is not due until April 2023. Explaining why the gap must be this long, the Permanent Secretary, Peter Schofield, said:

> the crucial thing with these old systems is that we can only do the work around uploading the new benefit rates on weekends when they are not being used for other work. Although four months might seem like quite a long time, it is actually not that many weekends and for the reasons the Secretary of State has described, you then have to upload them sequentially, because some benefits have a knock-on impact on others. Crucially, as the Secretary of State says, we do the DWP ones and we need to then have finished in time for local authorities to do their rates on it, housing benefit and such like and HMRC likewise. It is tightly scheduled.[53]

47 Personal Independence Payment, Disability Living Allowance, Attendance Allowance, Carer's Allowance, and the Additional State Pension. See How benefit levels are set, House of Commons Library Research Briefing 9498, 14 April 2022, p.21

48 See How benefit levels are set, House of Commons Research Briefing CBP 9498, 14 April 2022, p.29 for more information.

49 The taper rate is the rate at which UC payments are reduced as a claimant earns over the work allowance. It is currently 55%, so for every £1 a claimant earns over the work allowance, Universal Credit will be reduced by 55p.

50 Social Security (Uprating of Benefits) Act 2021

51 Q40

52 Office for National Statistics, Inflation and the cost of living for UK households, overview: June 2022, Figure 1

53 Q18

We understand that there are similar issues with the pension strategy computer system, which was introduced in 1989 and has about 11.5 million people on it. The Department's plan is to gradually move those records over to the new system over the spending review period to 2024/25.[54]

21. We have previously recommended that the DWP work to increase the speed with which changes can be made to legacy benefit rates.[55] The Secretary of State reiterated the view to us that the UC system is more agile. She said that should there be the capacity for a faster process in future when migration has been completed, allowing a more up to date CPI figure to be used, she "will look at it carefully."[56] Parliament debated The Social Security Benefits Up-rating Order 2022 in February this year, but the Government did not indicate that it had any plans to improve the time it takes to uplift legacy benefits.[57] The Joseph Rowntree Foundation, a research organisation focusing on poverty, said the Government should "commit to a much shorter timeframe for annual uprating between measuring inflation and uprating accordingly, to ensure benefit uprating genuinely reflects inflation for the year in question."[58] This call was echoed by multiple organisations, including Independent Age, Age UK and the Royal National Institute of Blind People.[59] When announcing the £650 Cost of Living Payments in May, the then Chancellor Rishi Sunak said: "uprating the same benefits by 9% would be worth only £530 on average."[60]

22. The Legatum Institute acknowledged that an annual system is effective at times of stable inflation.[61] Due to the current inflation rate, however, the Joseph Rowntree Foundation said, "uprating for 2022 had the biggest fall in the real value of the basic rate of unemployment benefits in 50 years."[62] This leaves people on an income level set at 2021 levels, but having to pay 2022 prices, which are significantly higher. Several organisations suggested uprating should be more frequent than annually. The Social Market Foundation suggested that "at a bare minimum, the government should consider uprating twice a year".[63] Citizens Advice and Save the Children both suggested a quarterly system.[64] Peabody, a housing association, also suggested that at review stage, a "contingency" additional rate could be agreed, to be activated in the case of dramatic variation in inflation levels.[65] Some of these recommendations, such as a biannual uprating, may be possible with current legacy systems which we were told need four months to complete the process, as discussed above. Others, such as a quarterly or Peabody's "contingency rate" system, would only be possible on more agile systems.

23. **The systems that legacy benefits run on are not fit for purpose. It is disappointing that the Department has not adapted its IT systems to allow for flexibility in uprating these benefits to respond to national events. The Department has scheduled and then delayed the migration of claimants from legacy benefits onto Universal Credit several**

54 Q17
55 House of Commons Work and Pensions Committee, First Report of Session 2021–22: DWP's response to the coronavirus outbreak (HC 178), p.62 para 63
56 Q21
57 HC Deb, Monday 7 February 2022, col 709 [Commons Chamber]
58 Joseph Rowntree Foundation (COL0044)
59 Age UK (COL0016), Independent Age (COL0051)Royal National Institute of Blind People (COL0013)
60 HC Deb, Thursday 26 May 2022, col 452 [Commons Chamber]
61 Legatum Institute (COL0030)
62 Joseph Rowntree Foundation (COL0044)
63 Social Market Foundation (COL0007)
64 Citizens Advice (COL0040), Save the Children UK (COL0039)
65 Peabody (COL0003)

times and the current date to complete this process for many is the end of 2024, leaving legacy benefits still in use for a considerable period. ***The Department must be able to uprate legacy benefits swiftly in times of high inflation. The Department should also publish (or at least provide to the Committee) for each benefit the details of the process, complexities and time required for the uprating exercise. We repeat our recommendation that the DWP work to increase the speed with which changes can be made to legacy benefit and state pension rates.***

24. **While an annual uprating is workable and effective at times of stable inflation, it is not appropriate in more volatile economic circumstances and is causing people real hardship.** ***In the medium-term the Department should reduce the length of time between the inflation reference period and the uprating implementation date to allow more flexibility in the system, preferably to the previous quarter end or more recent if possible.***

The adequacy of benefits levels

25. Several organisations who submitted evidence suggested that one of the causes of the crisis for households lay in the fundamental inadequacy of social security support, which they say needs reviewing regardless of exceptional circumstances that may require one-off payments.[66] The Joseph Rowntree Foundation said that "the erosion of benefit values in recent years means that for too many people the basic rate of benefits does not cover the cost of essentials."[67] According to the 2019 figures from the Resolution Foundation, "social security spending will be around £34 billion lower in 2023–24 than it would have been if the 2010 social security system had remained in place."[68] The UK's social security support as a percentage of GDP is below EU-27 and OECD averages.[69] Many groups who responded to our call for evidence said that the Government must assess the adequacy of benefit levels. Citizens Advice Lancashire said that:

> the Government must recognise that one-off payments are not a solution to inadequate benefit levels. Our detailed research […] on Universal Credit from across Lancashire, shows that Universal Credit is not enough to live on in Lancashire. Benefit payments urgently need uprating so that people who cannot work can afford to live off them. We would urge the Chancellor to raise benefits by a substantial margin (at least 10%, and an emergency budget in September would be welcome so people don't have to wait until April 2023) so that those on the lowest incomes stand a chance of meeting their bills for food and fuel this Winter. In Lancaster and Morecambe, local charities are bracing themselves for a deluge of need, and we are already seeing a sharp increase in requests for help due to high utility bills, while the weather is warm. Food and petrol costs are also having a huge effect on people's ability to get by.[70]

66 See for example: Citizens Advice Scotland (COL0037), Shelter (COL0014), We Care Campaign (COL0033) MS Society (COL0038) Poverty Alliance (COL0049)
67 Joseph Rowntree Foundation (COL0044)
68 The Resolution Foundation, The shifting shape of social security, November 2019, p.27
69 The Resolution Foundation, The shifting shape of social security, November 2019, p.21
70 Citizens Advice North Lancashire (COL0020)

We heard similarly from the Women's Regional Consortium, which supports organisations working to tackle disadvantage and social exclusion for women in Northern Ireland, that:

> What is needed is a long-term co-ordinated approach across Government departments including increasing investment in the social security system and addressing issues around low pay. This would help to enable people to live decent, healthy lives and provide for their children and families. The Women's Regional Consortium recommends the re-instatement of the £20 uplift to Universal Credit and Tax Credits and extending it to legacy benefits. This would help to ensure that the social security system provides a better safety net which protects people and families from poverty and hardship and allows them to afford the essentials and cope with unexpected income shocks.[71]

26. We have already detailed that DPOs have told us disability benefits do not represent the real costs of being disabled. Child Poverty Action Group, an organisation working for children in poverty, also told us that inadequate cover for childcare costs (which we are considering in a separate inquiry) and the frozen level of the benefit cap (which we discuss further in the next chapter), are pushing families with children into poverty.[72]

Household Support Fund

27. The Household Support Fund (HSF) was originally announced as a £500 million fund in September 2021 to run until Spring 2022.[73] It was subsequently extended twice, and currently comprises a total of £1.5 billion in discretionary funding which, as the Secretary of State indicated, local authorities can use for a range of cost of living pressures, including housing.[74] According to the guidance issued:

> Authorities should particularly consider how they can support low income households that cannot increase their income through work, such as pensioners, people with disabilities, unpaid carers and parents of very young children in their area.
>
> […]
>
> However, support is not restricted to vulnerable households in receipt of benefits.[75]

While it is discretionary, the DWP has attached some 'grant conditions' to this funding for local authorities to follow, including that a third each be spent on pensioner households and households with children, while the remainder can be used for other households. Funds must be used for essentials, including food, household energy and water and other

71 Women's Regional Consortium (COL0017)
72 Child Poverty Action Group (COL0034); See House of Commons Work and Pensions Committee, Universal Credit and childcare costs . The Committee is considering: The requirement for parents to cover childcare costs upfront; the maximum amounts that the Government will reimburse each month; and how easy it is for parents to get advice about what support they can claim for.
73 Each £500m includes £421m for England and £79m allocated to devolved administrations through the Barnett formula.
74 Q46
75 Department for Work and Pensions, Guidance: Household Support Fund (1 April 2022 to 30 September 2022): final guidance for county councils and unitary authorities in England [accessed 6 July 2022)

essential living needs.[76] According to the conditions, it may be used for housing costs "in exceptional circumstances of genuine emergency" where other means of housing support cannot be used—so the option of Discretionary Housing Payments (DHPs) should be explored first.[77] The Secretary of State told us that these conditions are being monitored and authorities will be returning information twice a year, although she was keen that the reporting requirement was not too "onerous".[78] As the new conditions were established in April 2022, there are no published returns yet. It is not clear whether this money is reaching the groups intended, or supporting them in a meaningful way.

28. **Whilst £1.5 billion for the Household Support Fund is welcome, we are concerned that there is no information available to indicate where this funding is going, and whether or not it is supporting the most vulnerable households effectively. Discretionary funding should not replace core funding.** ***Where the Government continues to use discretionary funds, it should ensure councils are well supported to deliver the funding to the households who need it the most. We ask the Department to publish information on what local authorities have spent this funding on to date by the end of September 2022.***

29. **The Housing Support Fund was designed to be a short-term measure but is now in its third funding cycle. While we all hope to see far more stability in the economy in coming years, the need for such funds highlights that benefits are already set at subsistence levels for most, leaving no capacity for individuals to cope with short term shocks. A more responsive uprating system would help to address this.** ***We recommend that, by the end of this Parliament, the Government review the adequacy of benefit levels and publish its findings. This should include a specific review of the adequacy of disability benefits and should consider whether it is appropriate to continue to rely on discretionary funds and one-off payments.***

Local Housing Allowance

30. Shelter highlighted that the combination of increasing housing costs and inadequate Local Housing Allowance (LHA) is causing crisis for some.[79] After being frozen for four years, in 2020/21 the rate of LHA was reset to levels that should cover the lowest 30% of market rents in a broad rental market area (BRMA).[80] Since then rents have continued to rise, significantly in some areas, but the cash value of LHA remains frozen at its 2020 rate. Research by the Bevan Foundation, a public policy organisation in Wales, "showed that LHA only fully covered the advertised rent of 1.4% of properties across Welsh local authorities."[81] Shelter told us that "LHA no longer covers the 30th percentile of rents for 2- or 3-bedroom homes in 91% of England", and suggested some tenants would be using their other benefits and Cost of Living Payments in part to cover shortfalls.[82]

76 Department for Work and Pensions, Guidance: Household Support Fund Grant Determination 2022 No 31/3096, Annex B: Grant Conditions, [accessed 6 July 2022)

77 Ibid and Department for Work and Pensions, Guidance: Household Support Fund (1 April 2022 to 30 September 2022): final guidance for county councils and unitary authorities in England [accessed 6 July 2022) DHPs are managed by local authorities and provide financial support to help with rent or housing costs. These can include ongoing costs or shorter term costs such as new rental deposits.

78 Q51; Q48

79 Shelter (COL0014)

80 Defined by the Government as "the area within which a person might reasonably be expected to live." HM Government, Guidance: Understanding Local Housing Allowances rates and broad rental market areas

81 Bevan Foundation, June 2022

82 Shelter (COL0014)

Crisis, a homelessness charity, called for LHA to be realigned with the 30th percentile, "at least until there is a significant increase in social rent homes."[83] They also told us that: "The cumulative impact of rising rent shortfalls, combined with wider cost of living pressures is making it impossible to commit to tenancies that can't be sustained. This means that people are stuck in expensive temporary accommodation, unable to move on from homelessness."[84] We asked the Secretary of State whether any steps were being taken to realign LHA with the 30th percentile, but she indicated that it would be kept at its current cash value, and referred to plans across Government for housing reform and other, discretionary, funds such as the Discretionary Housing Payment (DHPs) and the Household Support Fund (HSF).[85]

31. **The reset of Local Housing Allowance to cover the 30th percentile of rents was a welcome intervention at the start of the COVID-19 pandemic, but the increase has since been eroded by rising housing costs. Some parts of the country are experiencing acute shortages of affordable housing, and we have heard this is leaving some unable to move on from temporary accommodation.** ***DWP should work with other Departments to make housing more affordable for those on low incomes, as it did in 2020. This must include an increase to Local Housing Allowance to ensure that it supports people on low incomes to access secure, affordable housing in their local area.***

83 Crisis (COL0002)
84 Ibid.
85 Q46

3 Benefit cap

32. The benefit cap places a limit on the total amount that some households can receive in benefits. When the Government announced its cost of living support package, it stated that the one-off cost of living payments would not be included in the cap. Shelter, while welcoming this decision, said: "This indicates the government understands capped households have inadequate financial support."[86]

Impact of the benefit cap

33. The cap places a limit on the combined total of multiple benefits a household can receive. It is set at a level to reflect an average income after tax and national insurance deductions (but not including benefit payments that those households might be entitled to). The policy was intended to incentivise people on benefits to work, provide fiscal savings and "deliver fairness to the working taxpayer" by ensuring "workless households will no longer receive more in benefits than the average working family receives in pay".[87] It was introduced in 2013 (£26,000 for a household or £18,000 for a single person), and lowered in 2016 to £23,000 in London (£15,410 for single people) and £20,000 (£13,400 for single people) outside the capital.[88] It has remained frozen at these cash levels ever since. There are exemptions to the cap: a full list is available on Gov.uk.[89] The Government explained to the previous Committee during their inquiry on the benefit cap in 2019 that these exemptions reflect the aim of the policy to encourage people into work, and so do not apply to those already working a certain amount, or those not expected to.[90] The previous Committee found, however, that "the majority of capped households are claiming benefits which do not require them to look for work", including Income Support (mainly paid to lone parents) and ESA (paid to people with a health condition that limits their ability to work).[91]

34. Shelter estimates that 85% of the 123,000 households that were subject to the cap in 2021 were families with children. 80,000 of these were lone parents, who may find it difficult to work more hours to supplement income.[92] Shelter says that the cap:

> Leaves financially vulnerable households (such as lone parents, people who used to sleep rough and those needing to escape domestic abuse) unable to afford rents in most areas of England–putting them at risk of homelessness.[93]

The Child Poverty Action Group states that "almost all capped households with children are already in deep poverty"—struggling to afford all essentials.[94]

86 Shelter (COL0014), see also Disability Benefits Consortium (COL0012), Child Poverty Action Group (COL0034)
87 Benefit cap impact assessment, 16 July 2012
88 HM Government, Benefit Cap, Benefit cap amounts
89 HM Government, Benefit Cap, When you're not affected
90 House of Commons Work and Pensions Committee, The benefit cap, Twenty-Fourth Report of Session 2017–19 (HC 1477) March 2019, p.14 para. 11
91 Ibid. p16 para17
92 Shelter, Alert Briefing: Benefit Cap, April 2022
93 Shelter (COL0014)
94 Child Poverty Action Group, Pushed deeper into poverty: the impact of the benefit cap on families amid rising prices, March 2022. Deep poverty is defined as 50 per cent of equivalised median household income.

Review and uprating

35. The benefit cap has been frozen in cash terms since it was lowered in 2016. While changing the level of the cap is at the discretion of the Secretary of State, the Welfare Reform Act 2012 originally required that the cap was reviewed every Parliament and, since the Fixed Term Parliaments Act 2011 was repealed in March 2022, it now requires review every five years.[95] A review was published in 2014, before the cap was lowered.[96] A further review was promised to the previous Committee in 2019, but was never published.[97] The Secretary of State told us in evidence in June 2022 that she did "not remember" when the cap had been last reviewed, but she did "not think" it had been reviewed since being lowered in 2016.[98] When we asked why such a review had not taken place despite it now being nearly six years since the rate was last changed in November 2016 (and eight years since the last published review) the Secretary of State suggested there was some uncertainty around when the five year requirement began, and that she was "getting advice".[99] We also wrote to the Secretary of State on 15 June 2022, asking when this review will take place and when they would publish the previous review promised to us in 2019. She responded on 15 July 2022 and told us that the commitment to publish the previous review was offered by a previous administration, and she did not intend to honour it. She was also unable to give us any indication as to when a review may take place, citing "recent political events and the prospect of a change in administration by September". On timing, she told us only that "undertaking the review would be best done when the significant social and economic impacts of the global pandemic are not affecting volatility.[100]

36. The impact of the benefit cap—in particular, the failure to increase it with inflation—featured prominently in our evidence submissions. We heard that even though the 3.1% benefits increase in April 2022 was far below inflation, those households already capped would not even receive this. The Child Poverty Action Group told us, for example, that in April 2022, the real value of their benefits for capped households outside London fell by £1,800 as inflation hit 9% in April 2022 and "their benefits didn't increase at all".[101] The increase in cash value of uprated benefits also leads to more households that are subject to the cap reaching it, even though they are no better off in real terms and have few cheaper options available. Shelter said that "the cap level is so low that even families living in homes with affordable social rents are now being affected".[102] The Child Poverty Action Group estimate that if benefits are uprated again next April by the expected September CPI rate of 10–11%, "an additional 35,000 households will become capped overnight, resulting in a total of around 150,000 households capped in April 2023 - an increase of almost a third."[103]

37. We heard that the rationale for the level of the cap, which was linked to average earnings from work, no longer holds true. Crisis UK said that "the benefit cap has no relationship to other earnings anymore, and no connection to the costs of living which

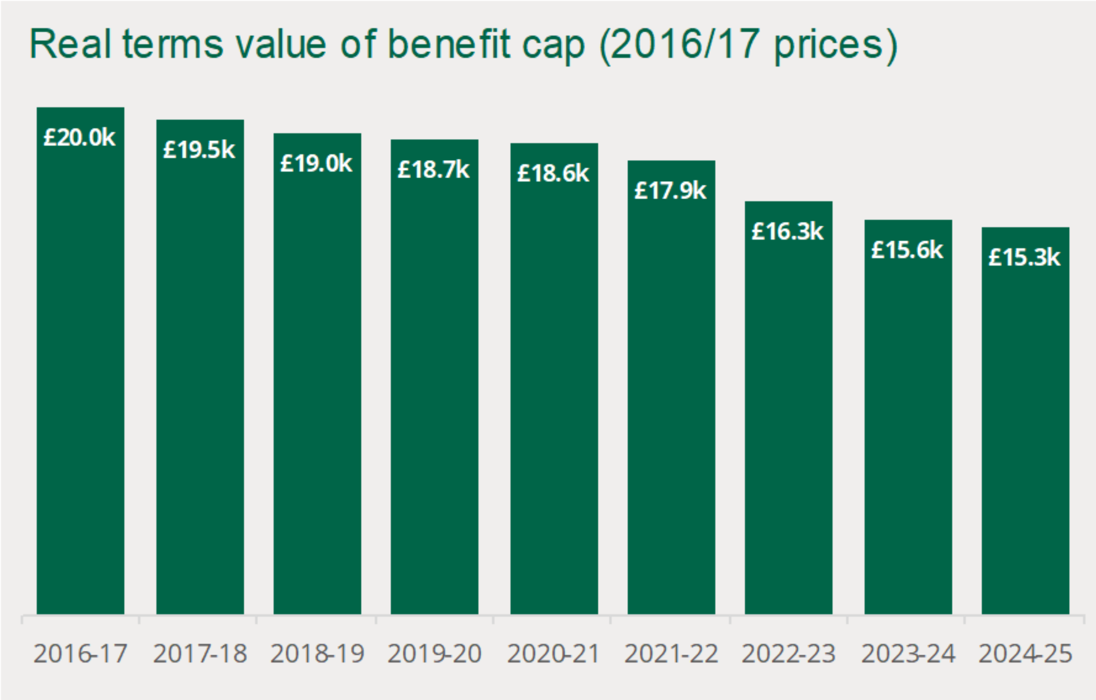
95 Welfare Reform Act 2012, 96A (1), as amended by Dissolution and Calling of Parliament Act 2022, Sch. para. 21(a)
96 Department for Work and Pensions, The benefit cap: a review of the first year, December 2014
97 House of Commons Work and Pensions Committee, The benefit cap: Government Response to the Committee's Twenty-Forth Report, Twenty-Second Special Report of Session 2017–19 (HC 2209) p.5
98 Q4–5
99 Q7
100 House of Commons Work and Pensions Committee, Correspondence with Secretary of State about the publication of DWP research and reports, 15 June 2022 and 15 July 2022
101 Child Poverty Action Group (COL0034)
102 Shelter (COL0014)
103 Child Poverty Action Group (COL0034)

have spiralled far beyond the level of the benefit cap."[104] The charts in Box 3 show how the real terms values of the benefit caps have fallen since 2016, and how they will continue to fall to 2024/25 if not uprated.

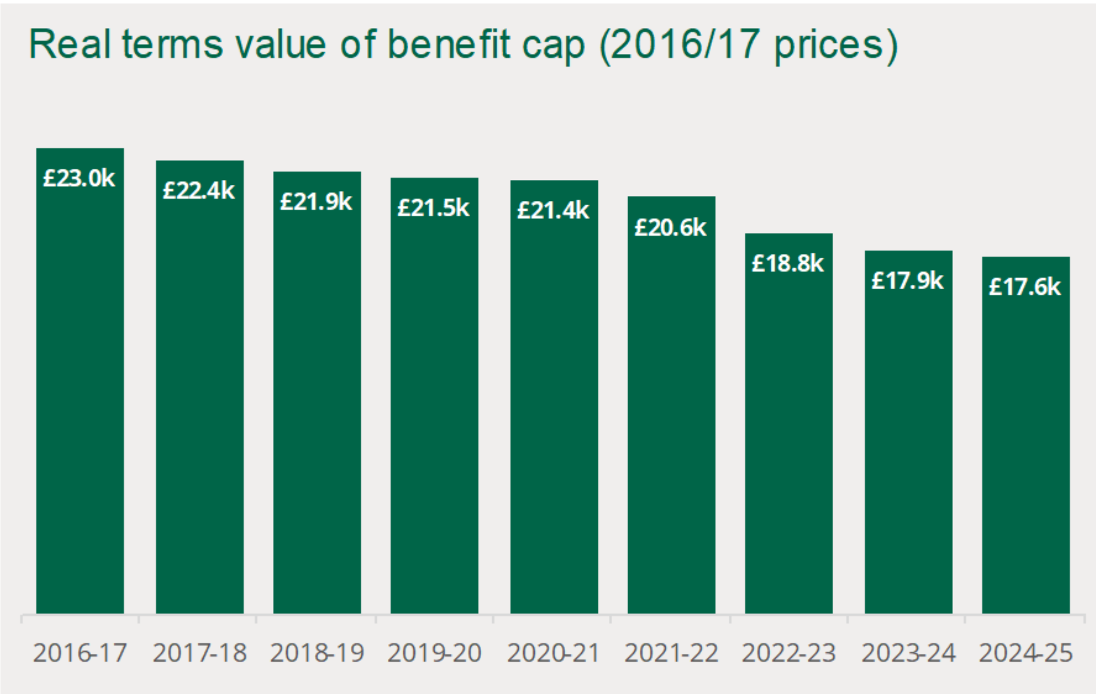
104 Crisis UK (COL0048)

Box 2: Real terms value of benefit cap in 2016/17 prices for household rates

£20,000 benefit cap (Household outside of London)



£23,000 benefit cap (Household in London)



Notes: Real terms series based on ONS Consumer price inflation tables to 2021/22 and forecasts from 2022/23 onwards using BoE Monetary Policy Report - May 2022

Source: < ONS Consumer price inflation tables and BoE Monetary Policy Report - May 2022>

38. When our predecessor Committee looked at the impact of the benefit cap in 2019, it found that it saved very little money (0.1% of the total welfare bill) but caused immense hardship to those affected. The previous Committee reported it left "people going hungry, parents struggling to feed their children, families shivering in their homes because they can't afford heating."[105] We received evidence confirming this, that almost all households affected by the benefit cap are families with children—99% in the North East of England.[106] The Committee recommended then "that the Government increases the current cap limits, by taking account of in-work benefits as well as earnings when calculating the limits. It should also ensure that cap levels are uprated in line with inflation."[107] The Government responded that it could not accept the recommendation, as the Secretary of State was already required to review the cap, and "to do so would pre-empt the outcome of such a review."[108] But this review is yet to take place, and it does not appear the Secretary of State intends to conduct one soon.

39. **We welcome the decision by the Government to exempt the cost of living payments from the benefit cap so that those most in need of support can receive it. This decision suggests, however, that the Department knows that the cap is set too low to effectively cover households' now spiralling costs of living. Regardless of the changes made when the Fixed Term Parliaments Act was repealed, it was clearly not the intention of the original legislation that the benefit cap go more than six years without even being reviewed, let alone adjusted for inflation. *The benefit cap should be reviewed urgently—and certainly no later than the end of 2022—to ensure it is in line with average household incomes and increasing rent/energy/food costs. The results of this review should be published. Furthermore, the cap must be uprated this year.***

105 House of Commons Work and Pensions Committee, The benefit cap, Twenty-Fourth Report of Session 2017–19 (HC 1477) March 2019, p50 para. 129

106 North East Child Poverty Commission (COL0026)

107 Ibid. p.30 para 58

108 House of Commons Work and Pensions Committee, The benefit cap: Government Response to the Committee's Twenty-Forth Report, Twenty-Second Special Report of Session 2017–19 (HC 2209) p.4

4 Deductions

40. People who owe debts or need to repay Universal Credit Advances can have money taken from their benefit payments to cover them, as well as to cover some other costs. These debts can be owed to the Government, or to third parties such as landlords or utility suppliers. The majority of the evidence we have received on the cost of living focused on how deductions policy could be amended to help people during the inflation crisis.[109] The Joseph Rowntree Foundation told us their research on poverty "highlights debt deductions as a key factor in destitution".[110] Research by the Trussell Trust, a hunger charity running food banks in the UK, shows "taking money off already low levels of benefits can push people into destitution and needing to turn to a food bank."[111] Multiple submissions agreed with Dr Rita Griffiths, a Research Fellow in the Institute for Policy Research at the University of Bath, who suggested that pausing deductions would be "a swift and readily implementable measure to give claimants some 'breathing space' during the current cost of living crisis."[112]

Why are deductions made?

41. Deductions are calculated as a percentage of the 'standard allowance'—the basic amount paid to all claimants. They can be taken to recover money that is owed for a variety of debts and Advances. These include:

- UC Advance payments, which allow claimants to receive up to 100% of their UC amount during the five-week wait for the first payment.
- Benefit overpayments (either from UC or legacy benefits such as tax credits)
- Recoverable hardship payments
- Budgeting and crisis loan repayments
- Third-party debts (For example, for rent, utilities, council tax, child maintenance, service charges, court fines).[113]

There is a cap on the proportion of the payment that can be deducted: this was reduced from 30% to 25% in April 2021 (and previously from 40% in October 2019). In February 2022, 45% of UC claims had a deduction, with an average of £62 deducted.[114] While the proportion of claims with a deduction has remained similar to the previous year, the average amount deducted has fallen from £78 with the introduction of the new cap.[115] There are also limits on the amount taken for each 'type' of debt, such as 15% of the allowance for non-fraud overpayment deductions.[116] These can be exceeded for a 'last

109 For e.g. see Peabody (COL0003); Disability Benefits Consortium (COL0012); Joseph Rowntree Foundation (COL0044); Women's Regional Consortium (COL0017); Lloyds Bank Foundation for England & Wales (COL0018)
110 Joseph Rowntree Foundation (COL0044)
111 Trussell Trust, Lift the burden Tackling the government debts facing people at food banks, December 2020
112 Dr Rita Griffiths (Research Fellow at Institute for Policy Research, University of Bath) (COL0009), see also Lloyds Bank Foundation for England & Wales (COL0018), Citizens Advice (COL0040), North East Child Poverty Commission (COL0026)
113 Department for Work and Pensions, Guidance: Find out about money taken off your Universal Credit payment
114 PQ 170 6 [on Universal Credit] 16 June 2022
115 PQ 1564 0 [on Universal Credit: Deductions] 1 March 2021. Proportion of claims with a deduction was 44%
116 Universal Credit Guidance, Deductions v.12

resort deduction' where someone is at risk of eviction or having their utilities cut off if payment is not made. If the combination of deductions would otherwise hit the 25% cap a priority list is applied, which places housing, utility and social obligation debts (such as child maintenance) above benefit overpayment debts. Sanctions and Advance repayments are placed above these priority debts, however.[117]

42. We heard during our inquiry on the *DWP's response to coronavirus* that deductions can interact with the benefit cap in a way that sees households' monthly payments reduced when benefit rates are increased. This is because the cap is a flat cash rate, preventing the household from receiving more than a specified amount per month: if uprating means the household exceeds the cap, they will not receive any extra payment. Deductions, however, are generally applied as a percentage of the UC standard personal allowance, so increase with annual uprating. If the standard allowance increases in line with this September's inflation next April, but the benefit cap remains the same, capped claimants will see awards fall.

43. We previously concluded that households being worse off due to the interaction between deductions and the cap "cannot have been the Department's intention" and recommended that the Department "take steps to ensure that the benefit cap, in combination with increase to benefit rates, does not leave households worse off than they were before the crisis".[118] The Government did not respond directly to this point, instead reiterating that the cap "restores fairness" and that "claimants can also approach their Local Authority for local support such as applying for a Discretionary Housing Payment", which is used to cover shortfalls in housing costs.[119] These can result from the impact of other policies such as the 'bedroom tax' and the benefit cap. DHPs can also be offered by councils to make up shortfalls that result from deductions by the Department. People who are facing hardship as a result of deductions can seek help in the form of a reduction or suspension of payments through DWP's Debt Management service. We heard, however, that awareness of these services is limited and they can be difficult to access. The Public Law Project (PLP), a legal charity, told us that "the combination of the very high threshold applied by the DWP and the barriers claimants face to making requests, means that very few claimants are able to benefit from these measures in practice."[120]

Reasons for deductions

44. People on Universal Credit are eligible to receive an Advance payment of up to 100% of their predicted award. Universal Credit is paid monthly in arrears, so when a new claim is made there is approximately a five week wait before a claimant receives payment, made up of the one month assessment period, and up to seven days processing time once this ends.[121] The Advance is then deducted in instalments from future UC payments. In the

117 HM Government Deduction Priority Order [accessed 11 July 2022]
118 House of Commons Work and Pensions Committee, DWP's response to the coronavirus outbreak, First Report of Session 2019–21 (HC 178) 17 June 2020, p.37 para 106
119 House of Commons Work and Pensions Committee, DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, First Special Report of Session 2019–21 (HC 732) 2 September 2020, p.4
120 Public Law Project (COL0029)
121 HM Government, Guidance: Universal Credit advances

2021 Spring Budget the Government extended the repayment period from 12 months to 24 months for claims made after 12 April 2021. The Department claims that this is not a debt, but a way to receive the same award total "in 25 payments over a 24-month period."[122]

45. The proportion taking Advance payments varied substantially over the course of the pandemic. In our report on *Universal Credit: The wait for a first payment*, published in October 2020, we found that before the pandemic 60% of new claimants took out an Advance, but this had fallen to 32% in 2020 during the pandemic. Organisations told us that this is likely to be because those who recently left work were more likely to have savings to fall back on.[123] In February 2022, 28% of the 4,725,194 households claiming UC had an Advance deduction.[124] We have heard calls to extend the repayment period for Advances further, or to convert them into non-payable grants for some or all claimants.[125]

46. Overpayment debt is accrued when too much has been paid in benefits, either due to error or a change in circumstances that is not immediately reflected by the system, or due to fraud. Overpayments are recovered in deductions which can include the debt owed plus any sanctions applied. We heard overpayments account for 4% of benefit expenditure this year: a similar level to the previous year (3.9%).[126] The Government told us that "by far the majority of overpayments relate to fraud in the system."[127] Of non-fraud overpayment, some is due to the tax credit system, which cannot account for changes in circumstances mid-year, creating overpayments and underpayments when awards are reconciled at the end of each year. In addition to this, there is overpayment debt accrued due to fraud and error (either claimant error, or official error i.e. an administrative error by HMRC or DWP). Table 2 below shows the figures for fraud and error overpayments for tax credits since 2012/13, broken down by reason. Overpayments due to HMRC error make up a relatively small proportion in each year.

Table 2: Tax credits error or fraud favouring claimant (overpayment)

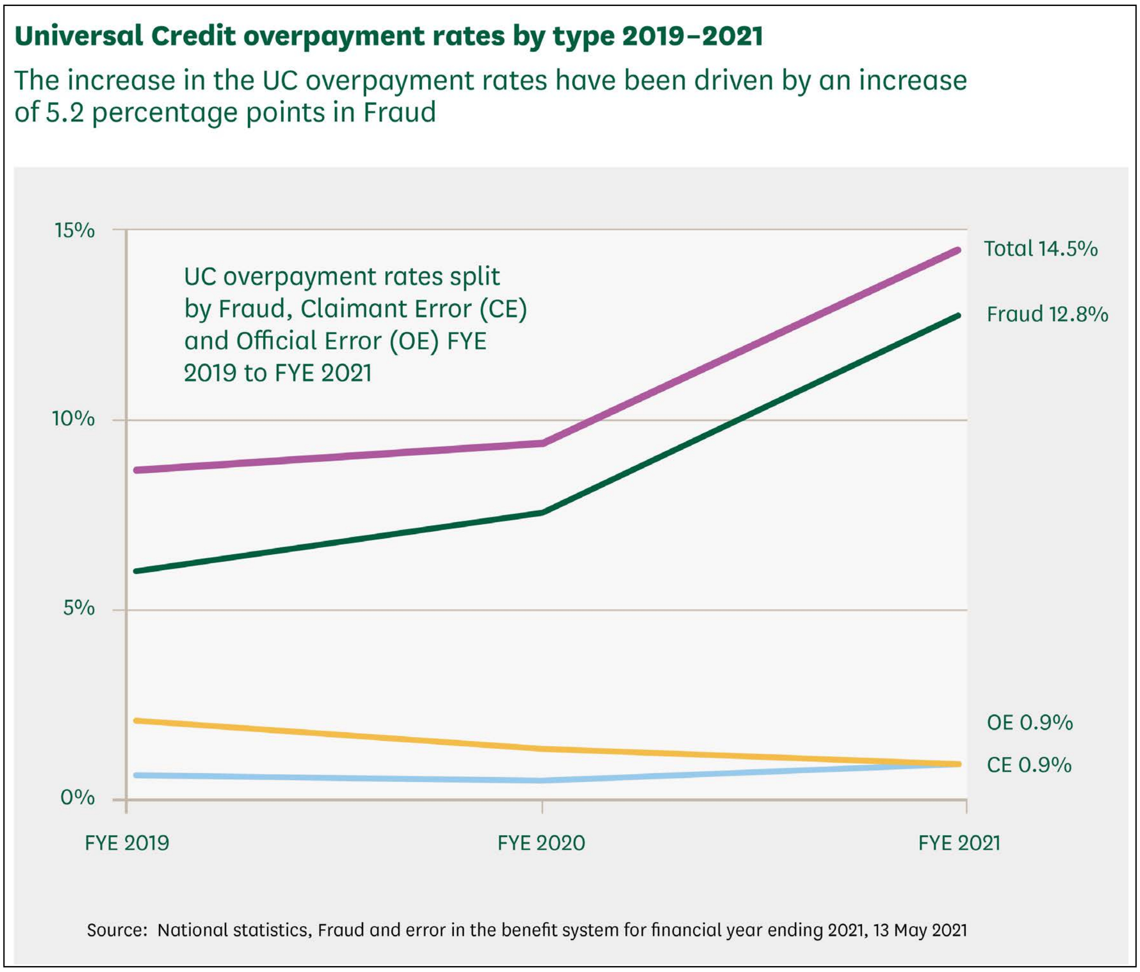
	Claimant error - number	Claimant error - amount	HMRC error - number	HMRC error - amount	Fraud (central estimate)
2020/21	390,000	£750m	<10,000	<£10m	£20m
2019/20	470,000	£820m	10,000	£20m	£40m
2018/19	640,000	£940m	20,000	£30m	£130m
2017/18	790,000	£1,130m	10,000	£10m	£320m
2016/17	740,000	£1,000m	10,000	£10m	£250m
2015/16	740,000	£1,030m	10,000	-	£320m
2014/15	630,000	£810m	10,000	£10m	£430m
2013/14	590,000	£720m	10,000	£10m	£630m
2012/13	690,000	£830m	10,000	-	£690m

Source: <National Statistics, Personal tax credits statistics, Child and Working Tax Credits error and fraud statistics; Revenue Benefits, Tax Credits: Public statistics >

122 PQ HL1063 [on Universal Credit] 30 June 2022
123 House of Commons Work and Pensions Committee, Universal Credit: The wait for a first payment, Third Report of Session 2019–21 (HC 204), 14 October 2020, p. 33 para 83
124 PQ HL1063 [on Universal Credit] 30 June 2022
125 Dr Rita Griffiths (Research Fellow at Institute for Policy Research, University of Bath) (COL0009); Citizens Advice Scotland (COL0037)
126 Q44
127 Ibid. In FYE 2021 the rate of Fraud overpayments was 3.0%, an increase from 1.4% in FYE 2020. The rise was primarily due to an increase in Fraud overpayments on UC. Total Official Error and Claimant Error overpayment rates were the same as in FYE 2020, at 0.4% and 0.6% respectively. National statistics: Fraud and error in the benefit system for financial year ending 2021

47. When people move from tax credits to UC they take their debts with them, and this system has a greater degree of automation applying deductions. £3.3 billion in tax credit debt has come over so far from HMRC to DWP.[128] The Government stresses that the relative agility of the UC system compared to tax credits means problems associated with historic overpayments due to in-year earnings variations will reduce over time, as UC can account for changes on a monthly basis. There remains a significant degree of fraud and error in the system however, and this increased during the pandemic. For UC, error statistics are reported as a percentage of total spend to allow them to be compared more easily year on year (as the monetary values increase substantially as rollout continues). As the chart below shows, fraud is by far the biggest reason for overpayments, with claimant error and official error broadly similar.

Box 3: Universal credit overpayment rates by type 2019–2021



Source: <National statistics, Fraud and error in the benefit system for financial year ending 2021, 13 May 2021>

48. In February 2022, 20% of households claiming UC had a deduction for overpayments.[129] In monetary terms, Advances, overpayments, related penalties, and emergency fund repayments make up the bulk of deductions—approximately 85% between December 2020 and November 2021.[130] Of the remainder, the largest are (in descending order) to cover

128 Q43
129 PQ HL1063 [on Universal Credit] 30 June 2022
130 PQ 989 [Social Security Benefits: Deductions] 20 May 2022 (Note £ 1,621,785,000 of £ 1,904,742,000 total—Department notes figures do not include third party deductions from Working Age legacy benefits and Pension Credit)

rent or service charge arrears, fines, council tax arrears, and child maintenance.[131] In April 2022 the Department intervened to prevent energy companies increasing existing, or initiating new, deductions for ongoing fuel consumption from income-related benefits, including legacy benefits and UC. This was in recognition of the large increase in the energy price cap, and that an increase in deductions to cover energy debt would leave "some DWP claimants without enough benefit award to meet other essential day-to-day needs."[132] While this will prevent deductions rising in the short term, households will nonetheless continue to accrue debt.

Government action

49. At the start of the pandemic, the DWP announced a three-month suspension of deductions for the recovery of UC and legacy benefit overpayments, Social Fund loans and tax credit debts.[133] The Joseph Rowntree Foundation said in its report on *Destitution in the UK 2020* that "the temporary halting of most debt-related benefit deductions in April 2020 (excluding repayment of UC advances) was crucial in easing the pressure on many destitute households."[134] StepChange, a debt support organisation, told us their "client survey evidence suggests deductions cause hardship to almost all clients affected."[135]

50. The pause was not extended to the recovery of Advance payments, however; the Government told us during our inquiry on the *DWP's response to the coronavirus outbreak* that to do so would require manual intervention to pause deductions, and they could not spare the staff resource to so.[136] The deductions that were suspended required the opposite—manual intervention was needed to make the deductions, and pausing them freed up staff to process the large number of new claims made early in the pandemic.[137] When the Department responded, it told us the temporary suspension was required to redeploy staff.[138] We recommended "that DWP review the Advances system and consider what changes are needed to make it more flexible, so that in times of crisis like these it can react quickly to meet claimants' needs."[139]

51. We asked the Secretary of State if reinstating a pause on deductions could be a way to mitigate the impact of inflation on claimants. She replied:

> There is a tailored approach that is going to be taken by individuals to speak with the DWP about their own individual situation rather than having a blanket approach. It is important that the debt will still be there. You are just extending potentially the lifetime of it being recovered. I do not know if we should be making that decision for people on how they manage that debt relationship.[140]

131 Ibid.
132 Department for Work and Pensions, Correspondence with Ofgem, Fuel Direct: supplier contravention of licensing conditions, 18 May 2022
133 Department for Work and Pensions press release, 'Recovery of benefit overpayment suspended', 3 April 2020
134 Joseph Rowntree Foundation, Destitution in the UK 2020, December 2020, Summary p.4
135 StepChange (COL0052)
136 House of Commons Work and Pensions Committee, DWP's response to the coronavirus outbreak, First Report of Session 2019–21 (HC 178) 17 June 2020, p.16 para 29
137 Department for Work and Pensions press release, 'Recovery of benefit overpayment suspended', 3 April 2020
138 House of Commons Work and Pensions Committee, First Special Report - DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, (HC 732) 2 September 2020, p.2
139 Ibid p.17 para 34
140 Q42

The Permanent Secretary Peter Schofield added:

> The other thing, just to add to what the Secretary of State said, is that the first set of deductions are normally for really critical payments, such as utility bills, and there is a balance here, because we want to avoid anyone being cut off or anything. There is a safety that comes from these deductions then going to pay off some of these arrears that some people might have.[141]

52. Many of the submissions we received recognised that there are differences between the various deductions that can be made from benefit payments. We heard suggestions for a more nuanced approach, in line with the Department's thinking. In particular, debt owed to the Government (such as Advances or for overpayments) was identified as something that could be paused or reduced without the negative consequences that could be seen from suspending third-party repayments, such as rent, utility or council tax arrears. The Child Poverty Action Group recommended that the Department:

> Reduce the maximum deduction rate and bring the repayment rate for government debts in line with debts to other creditors. These cost neutral measures would help ease the pressure on families who are already financially vulnerable, while minimising the risk of eviction or being cut off from essential services.[142]

53. We also heard recommendations to reduce the deductions cap further. The Government has reduced this incrementally since 2019 from 40% to 25%. The Joseph Rowntree Foundation says this is still too high and proposes a reduction to 15%, with Government debts capped at 5%.[143] Some advocated a more graduated approach, with StepChange recommending rates linked to earnings, with protection for the lowest earners and rates of 2.5% and 5% applied as earnings increase.[144] Peabody suggested offering claimants the option to repay overpayments at different rates of 1%, 5% or 10%, with a similar choice for Advance payments and flat rates of 10% or 15% for third party debts such as rent, utility or council tax arrears.[145] Shelter emphasised that it is important that deductions are affordable for individual claimants, and that DWP's existing approach does not consider sufficiently whether this is the case:

> DWP's deduction practices do not match the best practices already adopted in regulated consumer credit markets. For instance, only limited pro-active assessment of affordability is undertaken, despite DWP holding data which could be used to inform such an assessment.[146]

The Lloyds Bank Foundation, an independent charitable trust, also called for affordability assessments, as well as improving "information about the exemptions and flexibilities in place to deal with deductions."[147] The Government has recently urged creditors to accept reduced monthly payments or write off debts for those with Individual Voluntary

141 Ibid.
142 Child Poverty Action Group (COL0034)
143 Joseph Rowntree Foundation (COL0044)
144 StepChange (COL0052)
145 Peabody (COL0003)
146 Shelter (COL0014)
147 Lloyds Bank Foundation for England & Wales (COL0018)

Arrangements telling "insolvency advisers to consider the impact of the cost of living crisis on people's ability to keep up with repayments."[148] However, this advice does not apply to Government Departments' benefits deductions.

54. One of the most frequent suggestions in our evidence submissions was to write-off historic tax credit debt, or any overpayments that are owed due to DWP error rather than that of the claimant.[149] The Lloyds Bank Foundation explained:

> The DWP does not actively chase tax credit debt until it is triggered by a new Universal Credit claim. As such, most people will be unaware of any tax credit history until suddenly the money is deducted from their Universal Credit payment with no warning or explanation. This leaves people confused as to why their payment is lower, as well as struggling to budget as they find themselves on a very restricted income at little notice.[150]

The Public Law Project (PLP) told us it "has seen DWP attempt to recover an alleged Tax Credit overpayment debt that is 18 years old."[151] They also noted that the recovery of this type of debt is a policy decision, and that when UC was being established the then Government indicated that debt as a result of official error might not be pursued. The then Minister said in the Public Bill Committee stage of the Welfare Reform Bill in May 2011:

> The practical reality is that we do not have to recover money from people where official error has been made, and we do not intend, in many cases, to recover money where official error has been made.
>
> […]
>
> With recovery of all overpayments, a number of factors will be considered. We will consider not only whether the claimant received the money in good faith but whether recovery of the money is likely to cause the claimant or their immediate family significant hardship or threaten their health or welfare […][152]

These statements were made in 2011 by a previous Minister under the coalition Government. PLP said that "in practice DWP's default approach is to recover these overpayments".[153] The House of Lords Economic Affairs Committee has called for historic tax credit debt to be written off in its report *Universal Credit isn't working: proposals for reform*, saying:

> Many people who owe this money are unaware of it and the original receipt of an overpayment may have been outside of their control. The recovery of this money is leaving many households with an income well below what is needed to get by on. We call upon the Government to write off historic tax credit debt that is owed by Universal Credit claimants. It should be

148 The Guardian, Insolvency: thousands of Britons could cut debt as advice changes, 9 Jul 2022. An Individual Voluntary Arrangement is a formal debt solution to pay back debts over a period of time.
149 For example see MS Society (COL0038); Disability Benefits Consortium (COL0012)
150 Lloyds Bank Foundation for England & Wales (COL0018)
151 Public Law Project (COL0029)
152 Welfare Reform Bill Committee, 19 May 2011, Col 1019
153 Public Law Project (COL0029)

> treated as a sunk cost as it is highly unlikely to ever be repaid in full. The Government should not jeopardise the financial security of claimants by seeking its recovery.[154]

In response, the Government acknowledged that recovery of overpayments can have an impact on claimants and said it would "continue our discussions across Government on how to better manage this."[155]

55. **Deductions from the Department are contributing to hardship for struggling households, who are already trying to tackle rising costs. We have heard that for some, deductions are pushing them into destitution and leading them to depend on food banks. The Government has urged creditors to accept reduced monthly payments or write off debts, but isn't following its own advice.** ***We recommend that deductions are paused, and then only restored gradually as the rate of inflation reduces, or when benefits have been uprated to reflect the current rate of inflation. If the Government is not willing to pause deductions then it must increase awareness of existing options such as short-term pauses, and ensure that those who are struggling can get accessible and practical debt advice. The Government should also consider the Committee's recommendations on deductions and debt in our 2020 'Universal Credit–the wait for a first payment' report. We would welcome a response by the end of 2022.***

154 House of Lords Economic Affairs Committee, Universal Credit isn't working: Proposals for reform, 2nd Report of Session 2019–21 (HL 105) 31 July 2020, p.4

155 HM Government, Memorandum to the Economic Affairs Committee: Government Response to the Economic Affairs Committee report on the Economics of Universal Credit, Second report of Session 2020/21, 13 October 2020

5 Pension Credit

56. Pension Credit is a means tested benefit available to those over State Pension age and on a low income. Although 1.4 million pensioners claim Pension Credit, an estimated further 850,000 eligible households are not claiming Pension Credit worth £1.7 billion a year.[156] Take-up of the Pension Credit Guarantee has remained substantially unchanged at around 70% of those eligible for around ten years, although there was a modest 3% increase in 2019/20.[157] As well as providing extra income, Pension Credit can provide access to other benefits such as help with housing costs, council tax or heating bills and entitlement to a free TV licence for those over 75.[158] In 2022/23, it is also a passport to entitlement to the £650 cost of living payments announced by the Chancellor on 26 May 2022.[159] The Committee was told that the "unprecedented cost of living crisis has added a new urgency to the low take-up of Pension Credit."[160]

Barriers to take-up

57. The Department says it wants to increase take-up to help pensioners with the cost of living. It is trying to raise awareness and address some of the common "myths" that stop people applying, and has stated that "having savings, a pension or owning a home are not necessarily barriers to receiving Pension Credit."[161]

58. We heard, however, that there are other barriers to claiming and that the Department needs a more coherent strategy to address them. Age UK said reasons for not claiming included "the expectation that benefits do not apply to them, concern about the process of claiming, and negative attitudes towards claiming benefits."[162] 42% of respondents to a survey of people aged 65+ in England for Independent Age said they would be unlikely to apply for Pension Credit if they were struggling financially, 83% because they did not think they would be eligible and 20% because they 'don't think it is for people like them.'[163]

59. We also heard that any campaign must use a range of different channels to reach pensioners, including those who are more likely to be digitally excluded or not use the internet regularly. The Royal National Institute of Blind People, a sight-loss charity, told us that "blind and partially sighted people are disproportionately more likely to be digitally excluded than the general population" so awareness campaigns must include radio and TV ads.[164] Poverty Alliance, Scotland's anti-poverty network said information should be "available in as many spaces as possible including GP offices, hospitals, community centres, and supermarkets."[165] The Women's Regional Consortium stressed the important role

156 Department for Work and Pensions, Press release: Eligible pensioners urged to claim Pension Credit to help with cost of living, 15 June 2022 [accessed 11 July 2022]
157 Letter from Chair to Pensions Minister 30 March 2022; Department for Work and Pensions, Income-related benefits: estimates of take-up 2019–20, February 2022 [accessed 14 July 2022]
158 Department for Work and Pensions, Press release: Eligible pensioners urged to claim Pension Credit to help with cost of living, 15 June 2022 [accessed 11 July 2022]
159 HC Deb, Thursday 26 May 2022, col 452 [Commons Chamber]
160 Independent Age (COL0051)
161 Department for Work and Pensions, Press release: Eligible pensioners urged to claim Pension Credit to help with cost of living, 15 June 2022 [accessed 11 July 2022]
162 Age UK (COL0016)
163 Independent Age (COL0051)
164 Royal National Institute of Blind People (COL0013)
165 Poverty Alliance (COL0049)

played by community and voluntary sector organisations which were "skilled at reaching the most marginalised within communities and provide trusted spaces and skilled people to do this work."[166]

60. The claims process was also identified as a barrier. Poverty Alliance said the Government should remove "the need for multiple forms of identification which can make the process confusing and intimidating."[167] Age UK said practical support to claim Pension Credit and other benefits was an important area of work for it, nationally and locally.[168] Christians Against Poverty, a debt help service, agreed, saying "the Government should take steps to increase support available to make an application, including face-to-face and home visiting services."[169]

The Government's approach

61. The Minister for Pensions, Guy Opperman MP (the Minister) told us that the Government does not have a formal target for take-up of Pension Credit. It is focusing its efforts on a communications campaign, which includes:

- Providing information to pensioners in their annual uprating statement;
- A media day of action in June 2022, supported by key stakeholders;
- Promoting Pension Credit through search engines, the press and via social media; and
- Distributing leaflets and posters in venues such as pharmacies.[170]

62. It is not clear what arrangements the Department has in place to evaluate the success of its campaign or review lessons learned.[171] The Permanent Secretary, Peter Schofield, told us that in the week following Pension Credit action day in June 2022, there were 10,000 new claims for Pension Credit, three times higher than the usual 3,000, with between 60 and 70 per turning out to be eligible.[172] However, it is unclear whether the Department is routinely able to sustain this level of monitoring. The Minister told us that the Department's IT system did not allow it to "track the proportion of new claims for Pension Credit that result in a successful award of Pension Credit", without disproportionate cost.[173]

What else is needed?

63. Independent Age said that awareness raising, while needed, could have a limited impact unless it was targeted and sustained. Past DWP national awareness raising campaigns had "failed to have significant impact." Reasons included not being sufficiently well-targeted or joined-up with the work of local authorities and their networks and not being underpinned by a framework or long-term strategy. It welcomed that DWP was exploring options for automating aspects of the application and payment process for the

166 Women's Regional Consortium (COL0017)
167 Poverty Alliance (COL0049)
168 Age UK (COL0016)
169 Christians Against Poverty (CAP) (COL0046)
170 Letter from Guy Opperman to the Committee Chair, 27 April 2022
171 Independent Age (COL0061)
172 Q34
173 Letter from Guy Opperman, 27 April 2022

longer term but was concerned that these options might not be carried forward without a campaign to underpin them. It called for "a nationally coordinated, locally run and fully funded scheme to increase Pension Credit uptake" and a strategy written and developed in consultation with relevant stakeholders, setting out short and long-term actions and clear criteria for success.[174]

64. Age UK said messages to raise awareness would not reach everyone. It called for system changes to place less emphasis on individuals having to find out about any entitlements. It thought there was more scope to identify people likely to be eligible so that they could be targeted directly and supported to claim. For example, "closer links and data sharing between DWP and local authorities could ensure that no older person receiving Pension Credit misses out on help with housing costs and vice versa." It stressed the importance of widening the focus to include other benefits, like Housing Benefit, Council Tax Rebate, Attendance Allowance and Carer's Allowance.[175]

65. The Disability Benefits Consortium, a coalition of charities, recommended a 'Help to Claim' strategy, "similar to the one in place for Universal Credit migrants from legacy benefits." It said this should be "pro-active, far-reaching and made accessible to all pensioners and should, crucially, provide realistic and accessible sources of local help for individuals with details of local advice agencies and other sources of assistance."[176] The Women's Regional Consortium also stressed the need for the work of voluntary and community organisations to be "recognised and properly resourced." It said "much of this work, particularly with elderly people, requires an investment of time, experience and knowledge and short-term or piecemeal funding does not allow for this work to be completed effectively."[177]

66. **Pension Credit provides vital support for pensioners, yet some 850,000 *eligible* households do not claim it. The rising cost of living means this must now be urgently addressed. The Government's efforts are focused on a communications campaign. The Committee heard, however, that this was unlikely to be enough.** ***We recommend that the Government work with key stakeholders, including local authorities, to develop a written strategy to increase take-up by the end of 2022. This should include a plan for the most effective ways to identify households likely to be eligible and support them to claim. The Government should also explore ways to simplify or automate parts of the claiming process. The strategy should have clear aims, including a target for take-up, as well as a timeline of actions to be taken to achieve this and confirmation of how the strategy will be funded. The Government should provide an annual update to the select committee on achievements to date and any amendments to the strategy.***

174 Independent Age (COL0061)
175 Independent Age (COL0061); Age UK (COL0016)
176 Disability Benefits Consortium (COL0012)
177 Women's Regional Consortium (COL0017)

Conclusions and recommendations

Introduction

1. The Committee welcomes the Government's swift action and range of measures introduced in response to the cost of living crisis. It is clear that these will offset some of the increased costs for households living in poverty. However, we have heard very concerning evidence about the impact of the crisis on disabled people, older people, carers and larger families in particular. (Paragraph 11)

2. *We recommend that the Department for Work and Pensions engage with the organisations mentioned throughout this report to assess what further or more direct support needs to be provided to any of these groups as the cost of living continues to rise. We also urge the Government to simplify the support mechanisms to ensure households understand what support they are entitled to and enable them to chase up receipt.* (Paragraph 12)

The adequacy and uprating of social security

3. We welcome the inclusion of those on legacy benefits in the Government's support measures. We recognise that there are logistical difficulties in getting the necessary support in place quickly, but the Government does not seem to have taken on board our previous recommendations to improve systems. *While we understand that in this case one-off payments may have been quicker to put in place, and able to reach more people, we agree with the Secretary of State's opinion from 2021 that they are not the preferred approach. We recommend that other options, such as more responsive benefit uprating, are prioritised in future.* (Paragraph 17)

4. The systems that legacy benefits run on are not fit for purpose. It is disappointing that the Department has not adapted its IT systems to allow for flexibility in uprating these benefits to respond to national events. The Department has scheduled and then delayed the migration of claimants from legacy benefits onto Universal Credit several times and the current date to complete this process for many is the end of 2024, leaving legacy benefits still in use for a considerable period. *The Department must be able to uprate legacy benefits swiftly in times of high inflation. The Department should also publish (or at least provide to the Committee) for each benefit the details of the process, complexities and time required for the uprating exercise. We repeat our recommendation that the DWP work to increase the speed with which changes can be made to legacy benefit and state pension rates.* (Paragraph 23)

5. While an annual uprating is workable and effective at times of stable inflation, it is not appropriate in more volatile economic circumstances and is causing people real hardship. *In the medium-term the Department should reduce the length of time between the inflation reference period and the uprating implementation date to allow more flexibility in the system, preferably to the previous quarter end or more recent if possible.* (Paragraph 24)

6. Whilst £1.5 billion for the Household Support Fund is welcome, we are concerned that there is no information available to indicate where this funding is going,

and whether or not it is supporting the most vulnerable households effectively. Discretionary funding should not replace core funding. *Where the Government continues to use discretionary funds, it should ensure councils are well supported to deliver the funding to the households who need it the most. We ask the Department to publish information on what local authorities have spent this funding on to date by the end of September 2022.* (Paragraph 28)

7. The Housing Support Fund was designed to be a short-term measure but is now in its third funding cycle. While we all hope to see far more stability in the economy in coming years, the need for such funds highlights that benefits are already set at subsistence levels for most, leaving no capacity for individuals to cope with short term shocks. A more responsive uprating system would help to address this. *We recommend that, by the end of this Parliament, the Government review the adequacy of benefit levels and publish its findings. This should include a specific review of the adequacy of disability benefits and should consider whether it is appropriate to continue to rely on discretionary funds and one-off payments.* (Paragraph 29)

8. The reset of Local Housing Allowance to cover the 30th percentile of rents was a welcome intervention at the start of the COVID-19 pandemic, but the increase has since been eroded by rising housing costs. Some parts of the country are experiencing acute shortages of affordable housing, and we have heard this is leaving some unable to move on from temporary accommodation. *DWP should work with other Departments to make housing more affordable for those on low incomes, as it did in 2020. This must include an increase to Local Housing Allowance to ensure that it supports people on low incomes to access secure, affordable housing in their local area.* (Paragraph 31)

Benefit cap

9. We welcome the decision by the Government to exempt the cost of living payments from the benefit cap so that those most in need of support can receive it. This decision suggests, however, that the Department knows that the cap is set too low to effectively cover households' now spiralling costs of living. Regardless of the changes made when the Fixed Term Parliaments Act was repealed, it was clearly not the intention of the original legislation that the benefit cap go more than six years without even being reviewed, let alone adjusted for inflation. *The benefit cap should be reviewed urgently—and certainly no later than the end of 2022—to ensure it is in line with average household incomes and increasing rent/energy/food costs—the results of this review should be published. Furthermore, the cap must be uprated this year.* (Paragraph 39)

Deductions

10. Deductions from the Department are contributing to hardship for struggling households, who are already trying to tackle rising costs. We have heard that for some, deductions are pushing them into destitution and leading them to depend on food banks. The Government has urged creditors to accept reduced monthly payments or write off debts, but isn't following its own advice. *We recommend that deductions are paused, and then only restored gradually as the rate of inflation*

reduces, or when benefits have been uprated to reflect the current rate of inflation. If the Government is not willing to pause deductions then it must increase awareness of existing options such as short-term pauses, and ensure that those who are struggling can get accessible and practical debt advice. The Government should also consider the Committee's recommendations on deductions and debt in our 2020 'Universal Credit–the wait for a first payment' report. We would welcome a response by the end of 2022. (Paragraph 55)

Pension Credit

11. Pension Credit provides vital support for pensioners, yet some 850,000 eligible households do not claim it. The rising cost of living means this must now be urgently addressed. The Government's efforts are focused on a communications campaign. The Committee heard, however, that this was unlikely to be enough. *We recommend that the Government work with key stakeholders, including local authorities, to develop a written strategy to increase take-up by the end of 2022. This should include a plan for the most effective ways to identify households likely to be eligible and support them to claim. The Government should also explore ways to simplify or automate parts of the claiming process. The strategy should have clear aims, including a target for take-up, as well as a timeline of actions to be taken to achieve this and confirmation of how the strategy will be funded. The Government should provide an annual update to the select committee on achievements to date and any amendments to the strategy.* (Paragraph 66)

Formal minutes

Wednesday 20 July 2022

Members present:

Rt Hon Sir Stephen Timms, in the Chair

Debbie Abrahams

Neil Coyle

Stephen McCabe

Nigel Mills

Selaine Saxby

Dr Ben Spencer

Chris Stephens

Rt Hon Sir Desmond Swayne

The cost of living

Draft Report (*The cost of living*), proposed by the Chair, brought up and read.

Ordered, that the Chair's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 66 read and agreed to.

Summary agreed to.

Resolved, That the Report, as amended, be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjournment

Adjourned till Wednesday 7 September 2022 at 9.00 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 9 February 2022

Morgan Wild, Head of Policy, Citizens Advice; **Rory Weal**, Senior Policy and Public Affairs Manager, Trussell Trust; **Peter Matejic**, Deputy Director, Evidence and Impact, Joseph Rowntree Foundation; **Robert Joyce**, Deputy Director, Institute for Fiscal Studies Q1–23

Rt Hon Thérèse Coffey MP, Secretary of State, Department for Work and Pensions Q24–106

Wednesday 9 March 2022

Peter Smith, Director of Policy and Advocacy, National Energy Action; **Morgan Vine**, Head of Policy and Influencing, Independent Age; **Jack Monroe** Q107–136

James Heywood, Head of Welfare and Opportunity, Centre for Policy Studies; **Mike Brewer**, Deputy Chief Executive and Chief Economist, Resolution Foundation; **Aveek Bhattacharya**, Chief Economist, Social Market Foundation; **Julian Jessop**, Independent Economist Q137–162

Wednesday 29 June 2022

Rt Hon Dr Thérèse Coffey, Secretary of State, Department for Work and Pensions; **Peter Schofield**, Permanent Secretary, Department for Work and Pensions Q1–143

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

COL numbers are generated by the evidence processing system and so may not be complete.

1 Action for Children (COL0047)

2 Advice NI (COL0015)

3 Age UK (COL0016)

4 Anonymised (COL0024)

5 Anonymous, (COL0004)

6 Beale-Cocks, Mr D (COL0010)

7 Carers UK (COL0023)

8 Chartered Institute of Housing (COL0053)

9 Child Poverty Action Group (COL0034)

10 Christians Against Poverty (CAP) (COL0046)

11 Citizens Advice (COL0040)

12 Citizens Advice North Lancashire (COL0020)

13 Citizens Advice Scotland (COL0037)

14 Citizens Advice Sedgemoor (COL0011)

15 Crisis (COL0002)

16 Crisis UK (COL0048)

17 Cystic Fibrosis Trust (COL0019)

18 Disability Benefits Consortium (COL0012)

19 Disability Rights UK (COL0028)

20 Griffiths, Dr Rita (Research Fellow, Institute for Policy Research, University of Bath) (COL0009)

21 Heyes, George (COL0006)

22 Inclusion London; and Disability Rights UK (COL0045)

23 Independent Age (COL0051)

24 Jessop, Julian (COL0041)

25 Joseph Rowntree Foundation (COL0044)

26 Legatum Institute (COL0030)

27 Leonard Cheshire (COL0027)

28 Lloyds Bank Foundation for England & Wales (COL0018)

29 MS Society (COL0038)

30 National Energy Action (COL0008)

31 National Energy Action (NEA) (COL0001)

32 North East Child Poverty Commission (COL0026)

33 Parkinson's UK (COL0050)

34 Peabody (COL0003)

35 Pensions and Lifetime Savings Association (COL0035)

36 Poverty Alliance (COL0049)

37 Public Law Project (COL0029)

38 Royal College of Physicians (COL0005)

39 Royal Mencap Society (COL0022)

40 Royal National Institute of Blind People (COL0013)

41 Rural Issues Group of Citizens Advice (COL0021)

42 Save the Children UK (COL0039)

43 Sense (COL0043)

44 Shelter (COL0014)

45 Social Market Foundation (COL0007)

46 StepChange (COL0052)

47 Sustainable Food Places (COL0025)

48 The Food Foundation (COL0042)

49 We Care Campaign (COL0033)

50 Women's Regional Consortium (COL0017)

51 Zacchaeus 2000 Trust (COL0036)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2022–23

Number	Title	Reference
1st	The appointment of Dominic Harris as the Pensions Ombudsman and the Pension Protection Fund Ombudsman	HC 465

Session 2021–22

Number	Title	Reference
1st	DWP's preparations for changes in the world of work	HC 216
2nd	Disability employment gap	HC 189
3rd	Children in poverty: Measurement and targets	HC 188
4th	Pension stewardship and COP26	HC 238
5th	Protecting pension savers—five years on from the Pension Freedoms: Accessing pension savings	HC 237
6th	The Health and Safety Executive's approach to asbestos management	HC 560
7th	Children in poverty: No recourse to public funds	HC 603

Session 2019–21

Number	Title	Reference
1st	DWP's response to the coronavirus outbreak	HC 178
2nd	The appointment of Dr Stephen Brien as the Chair of the Social Security Advisory Committee	HC 733
3rd	Universal Credit: the wait for a first payment	HC 204
4th	The temporary increase in Universal Credit and Working Tax Credit	HC 1193
5th	Protecting pension savers—five years on from the pension freedoms: Pension scams	HC 648
6th	The appointment of Sarah Smart as Chair of the Pensions Regulator	HC 1358