



House of Commons  
Treasury Committee

---

**Autumn Statement  
2022 – Cost of living  
payments: Government  
response to the  
Committee’s Eighth  
Report**

---

**Fourth Special Report of Session  
2022–23**

*Ordered by the House of Commons  
to be printed 22 February 2023*

## The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue and Customs and associated public bodies.

### Current Membership

[Harriett Baldwin MP](#) (Chair) (*Conservative, West Worcestershire*)

[Rushanara Ali MP](#) (*Labour, Bethnal Green and Bow*)

[John Baron MP](#) (*Conservative, Basildon and Billericay*)

[Anthony Browne MP](#) (*Conservative, South Cambridgeshire*)

[Douglas Chapman MP](#) (*Scottish National Party, Dunfermline and West Fife*)

[Dame Angela Eagle MP](#) (*Labour, Wallasey*)

[Emma Hardy MP](#) (*Labour, Kingston upon Hull West and Hessle*)

[Danny Kruger MP](#) (*Conservative, Devizes*)

[Andrea Leadsom MP](#) (*Conservative, South Northamptonshire*)

[Siobhain McDonagh MP](#) (*Labour, Mitcham and Morden*)

[Anne Marie Morris MP](#) (*Conservative, Newton Abbot*)

### Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

© Parliamentary Copyright House of Commons 2023. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at [www.parliament.uk/site-information/copyright-parliament/](http://www.parliament.uk/site-information/copyright-parliament/).

Committee reports are published on the Committee's website at [www.parliament.uk/treascom/](http://www.parliament.uk/treascom/) and in print by Order of the House.

### Committee staff

The current staff of the Committee are Morenike Alamu (Committee Operations Officer), Bayley Hockham (on secondment from the Bank of England), Timothy Holmes (on secondment from HM Revenue & Customs), Dan Lee (Senior Economist), Adam McGee (Senior Media and Communications Officer), Adam Mellows-Facer (Clerk), Aruni Muthumala (Senior Economist), Charlotte Swift (Second Clerk), Sam Upton (on secondment from the Financial Conduct Authority), Adam Wales (Chief Policy Adviser), Maciej Wenerski (Committee Operations Manager), Richard Whisker (on secondment from the Bank of England), and Marcus Wilton (Senior Economist).

### Contacts

All correspondence should be addressed to the Clerk of the Treasury Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5769; the Committee's email address is [treascom@parliament.uk](mailto:treascom@parliament.uk).

You can follow the Committee on Twitter using [@commonstreasury](https://twitter.com/commonstreasury).

## Fourth Special Report

---

The Treasury Committee published its Eighth Report of Session 2022-23, [Autumn Statement 2022 – Cost of living payments](#) (HC 740) on 14 December 2022. The Government's response was received on 14 February 2023 and is appended to this Report.

## Appendix: Government Response

---

### Autumn Statement 2022 – Cost of Living Payments: Government Response

The Government thanks the Committee for its work on the Cost of Living Payments. This response is on behalf of the Department of Work and Pensions (DWP) and HM Treasury. DWP hold overall responsibility for the delivery of Cost of Living Payments.

The Government understands that families across the UK are struggling with the cost of living. That is why decisive action has been taken to support households across the UK through the challenges ahead, whilst remaining fiscally responsible.

The Government announced further support at Autumn Statement 2022 designed to target the most vulnerable households. This brought cost of living support in 2023-24 to £26 billion. This is in addition to the uprating of working-age and disability benefits, which will increase expenditure by another £11 billion.

As the Committee notes, this action taken by the Government means that over 8 million of the most vulnerable households across the UK will continue to be supported through this year via additional Cost of Living Payments. Households on means-tested benefits will receive a £900 Cost of Living Payment, pensioner households will receive a £300 Pensioner Cost of Living Payment, and individuals on disability benefits will receive a £150 Disability Cost of Living Payment.

A further, twelve-month extension to the Household Support Fund (HSF) in England was also announced at Autumn Statement, which will continue to enable Local Authorities to support households with the cost of food, energy and other essentials. This is additional to the support already provided via the HSF since October 2021, bringing total funding to £2.5 billion (including Barnett funding for the Devolved Administrations).

On top of this targeted support, the Government is continuing to provide universal support to all UK households with the cost of energy. All UK households have been supported through this winter with the £400 Energy Bill Support Scheme. Alongside this, the Energy Price Guarantee has supported households through this winter, and will continue to support households over the course of 2023-24, saving the average household £500 in the next fiscal year, based on forecasts at Autumn Statement 2022.

The Committee raises several important issues and suggestions, which the Government has reflected on and considered in its approach to the Cost of Living Payments for 2023-24.

**While the additional payments to households in receipt of means-tested benefits are welcome, they will not reach all low-income households. We recommend that the Treasury provide us with further analysis of those low-income households who will not receive cost of living payments in 2023–24, and the extent to which the Household Support Fund has supported them, and is expected to support them in the coming financial year. (Paragraph 11)**

HM Treasury published distributional analysis of the Autumn Statement 2022 decisions in the *Impact on Households* document.<sup>1</sup> Figures 1.B, 1.C, 1.F, and 1.G in this publication show the impact of the Cost of Living Payments on households by income decile. The Government also published the document *Illustrative impact of the May 2022 and February 2022 Cost of Living and Energy Support packages on households*.<sup>2</sup>

It is not possible to include information on the impact of the HSF as part of this analysis. Management Information, submitted by Local Authorities to DWP, is the mechanism by which DWP confirms that Local Authorities have spent the funding allocated via the HSF in accordance with the grant determination and guidance. The Management Information returned by Local Authorities does not contain sufficient detail to enable Treasury to incorporate information on the impact of the fund on households into the wider distributional analysis on Cost of Living Payments. For example, the Management Information does not contain information on the incomes of recipient households, which would be required to produce analysis of the impacts by income decile.

Moreover, the means-tested benefits which are qualifying benefits for the Cost of Living Payments are – by definition – available for those who have fewer resources. Timely and detailed data on “low-income” households who are not in receipt of eligible means-tested benefits and therefore will not receive Cost of Living Payments is not generally available, as by definition the vast majority of these cases do not appear in DWP benefit data, and other data sources (such as survey data) are subject to significant time lags.

Guidance for each HSF includes requirements for the completion of Management Information. The Management Information requirements take account of the practicality of collecting particular kinds of data and the associated administrative burden on Local Authorities, while ensuring that it nevertheless provides insight into how the funding has been used. The Management Information for the first HSF has been published.<sup>3</sup> The Management Information for subsequent schemes will be published in due course.

The guidance for the 2023-24 HSF will be shared with Local Authorities before the scheme begins on 1 April. The guidance for the current scheme requires Local Authorities to support those most in need, with a particular focus on vulnerable households not eligible for wider Cost of Living Support (for example, people only receiving Housing Benefit). Ministers have also reiterated that funding allocated to Local Authorities via the ongoing grant should be allocated to a range of households, with a particular focus on vulnerable households not eligible for direct Cost of Living support delivered at a national level.

As a matter of routine, HM Treasury will consider what data becomes available that could enable the inclusion of the impacts of this spending into published distributional analysis.

<sup>1</sup> <https://www.gov.uk/government/publications/autumn-statement-2022-documents>

<sup>2</sup> <https://www.gov.uk/government/publications/cost-of-living-support>

<sup>3</sup> [Household Support Fund management information for 6 October 2021 to 31 March 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/household-support-fund-management-information)

**The Government provision of additional support to those on low incomes through one-off payments presents a problem of cliff-edges to that support. If someone doesn't match the criteria required of the means-tested benefits, both in terms of income and the time they are being assessed for eligibility, they will not receive this significant lump sum support when a very similar household may do so. That appears unfair. It may also create a disincentive to work, as it may be in someone's interests to reduce their hours at key periods to ensure their eligibility for the benefit at the required time. (Paragraph 22)**

**We recommend that the Government consider a greater number of lump-sum payments than the two in 2022–23, which would better ensure that more households have support at the time of their greatest need, and would reduce the severity of the disincentives to work within each relevant assessment period. We recommend mirroring the payments model used in the Energy Bill Support Scheme—a payment each month for six months—which provided regular help over the colder winter period. (Paragraph 23)**

The Government did consider a greater number of lump-sum payments than the two in 2022-23 and announced on 3 January 2023 that the £900 Cost of Living Payment for means-tested benefit claimants will be delivered in three payments over the course of the financial year (in Spring 2023, Autumn 2023 and Spring 2024). This is to ensure claimants receive ongoing support throughout the financial year.

The Government has prioritised making payments to customers on the lowest incomes as early as possible in 2023-24 after the Energy Price Guarantee changes and the Energy Bill Support Scheme ends. The other two payments will be made either side of the winter period. Spreading payments throughout the year may help to support budgeting. Each payment will have a different qualifying date, and this will increase the chance that those who flow onto the benefit system at some point in 2023-24 receive support.

The Government does not accept the Committee's recommendation to mirror Cost of Living Payments on the payments model used for the Energy Bill Support Scheme. Support through the Energy Bills Support Scheme is being delivered via energy suppliers to households in Great Britain with a domestic electricity connection. This support is being applied to household bills automatically in regular monthly instalments over the 6 months from October 2022 to March 2023.

In contrast, Cost of Living Payments are made using DWP's 'Ad Hoc Payment System'. This sits outside the normal benefit delivery system and as a result, is limited in its nature – for example it can only make one payment 'type' at a time, and it requires specialist teams to make the payments.

Further 'mop-up' payments for some of the qualifying benefits are also expected to be made, if an entitlement that would qualify for a payment is later established to have existed. It is not possible within the constraints of this system to make a payment each month for six months without compromising delivery of DWP's core benefits.

Therefore, the Government has concluded that three means-tested Cost of Living Payments and a single Disability Cost of Living Payment balances spreading the support throughout the year and enables sufficient time for delivery of each payment without compromising core benefit delivery. Adding further payments could delay 'mop-up' payments to some who have yet to have their entitlement established to receive a 2022 Cost of Living Payment.

Regarding the Committee's point around some claimants missing out on payments, the Government recognises that some people will flow on and off benefits, and the policy for Cost of Living Payments reflects that. The 2023-24 means tested benefit Cost of Living Payments are being made in three payments to reduce the chance of someone missing out completely. Those who do not qualify for one of the payments due to their changing circumstances may qualify for another one of the payments. Eligibility periods are an established principle for one-off payments like the Cost of Living Payments. For example, the Winter Fuel Payment follows the same approach.

The Government also considered the payment design of Cost of Living Payments to limit any perverse work disincentives generated. In particular, in line with the approach taken for 2022-23 Cost of Living Payments, qualifying dates for each payment in 2023-24 will be announced after they have passed. The purpose of this is to deter fraud and to mitigate risks to work incentives. As individuals will not know the qualifying dates in advance, this limits their ability to change their behaviour during the qualifying period to ensure they are eligible for an underlying benefit, which would make them eligible for a Cost of Living Payment.

**We would also welcome analysis from the Treasury of:**

- **the work disincentive effects of different sizes and frequencies of lump sum payments, and**
- **whether a taper might better incentivise work as part of any subsequent payments from 2024–25. (Paragraph 24)**

As set out, the Government's approach to qualifying dates for each payment is to announce them when they have passed. The purpose of this is to deter fraud and to mitigate any risk to work incentives.

Three means-tested Cost of Living Payments and a single Disability Cost of Living Payment balances spreading the support throughout the year and enabling sufficient time for delivery of each payment without compromising core benefit delivery. Adding in further payments could also delay 'mop-up' payments to some who have yet to have their entitlement established to receive a 2022 Cost of Living Payment.

In addition, the 'Ad Hoc Payment System' which DWP uses to make Cost of Living Payments is limited in the number of activities it can manage concurrently. It can only make one payment 'type' at a time, of a single value. To build a service which includes a taper based on a customer's earnings or other circumstances would be extremely complex and potentially costly, with similar rules to those within a benefit like Universal Credit and would not be possible in the time available.

Work continues to develop a new approach to consumer protection in energy markets, which will apply from April 2024 onwards.

**Cliff-edges remain present elsewhere. Certain income levels also attract unusually high marginal tax rates or the loss of means-tested entitlements. Such features are distortionary. The Treasury should endeavour to smooth them wherever possible, in areas of its own responsibility, and when considering funding requests from departments. We will return to this issue in future. (Paragraph 25)**

The Government continues to consider marginal tax and deduction rates in policy to work to improve incentives in the system, ensuring that it always pays to work and that the greatest burden falls on those with the broadest shoulders, whilst protecting the most vulnerable in society.

We look forward to the Committee returning to this issue in the future.

HM Treasury

*February 2023*