Department for Work & Pensions

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Dear Ms Arnold,

Thank you for your letter of 26 March and email of 17 September to the Secretary of State about welfare changes. I am replying as the Minister for Welfare Delivery and I apologise for the delay in doing so.

Universal Credit is a means-tested system of welfare support; therefore, where claimants have income available to meet their household's everyday living costs, such as through earnings or savings, their entitlement to Universal Credit is adjusted accordingly. It is a modern, flexible, personalised benefit responding effectively to economic conditions, replacing six outdated and complex benefits with one – helping to simplify the benefits system, providing support in times of need and making work pay. People claiming Universal Credit move into work faster, stay in work longer and spend more time looking to increase their earnings.

Successive Governments have made decisions about the rates of benefits taking account of the competing demands on public expenditure. This Government announced a package of additional welfare measures worth around £9.3 billion which were quickly and effectively put in place this year following the outbreak of COVID-19 and includes:

- A £20 per week increase to the Universal Credit standard allowance and Working Tax Credit basic element for one year. This means that for a single Universal Credit claimant (25 or over), the standard allowance has increased from £317.82 to £409.89 per month.
- An increase in the Local Housing Allowance rates for Universal Credit and Housing Benefit claimants so that it covers the cheapest third of local rents.

- Affected self-employed claimants will also not have a Minimum Income Floor (an assumed level of income) applied for a period of time within Universal Credit.

Alongside all the other measures, local authorities in England will now be able to use the £500 million Hardship Fund announced at the Spring Budget, to help working people on Local Council Tax Support to provide additional help to vulnerable people locally through arrangements such as Local Welfare Schemes. An additional £63 million of funding was confirmed by the Government on 11 June this year, to be distributed to local authorities in England to help those who are struggling to afford food and other essentials due to coronavirus.

In addition, we are also working with local partners across England to invest £250 million from the European Social Fund's reserve to help people find new jobs and learn new skills. This is addition to the £440 million that is being invested in locally-tailored programmes this year.

To support the most vulnerable, we have consistently increased benefits for pensioners, benefits relating to the additional costs of disability such as Disability Living Allowance (DLA) and Personal Independence Payment (PIP), Carer's Allowance and statutory payments. As you are aware, PIP is replacing DLA for working-age people. The highest level of support under PIP is currently 31 per cent in London compared to 15 per cent for working age people in receipt of DLA when PIP was first introduced (April 2013), demonstrating this Government's commitment to support those most in need.

In order to support working families we have also set out measures such as the National Living Wage, extending free childcare for working parents, and increases to the personal tax allowance. Together, these measures ensure that work always pays more than a life on benefits and support is focused on the most vulnerable.

The Government is committed to providing a strong welfare safety net of financial support for those that need it.

We understand this is a difficult time for many people on low incomes and we have taken significant action to support those affected by coronavirus, including through income protection schemes, mortgage holidays and additional support for renters. For those most in need we have injected over £9 billion into the welfare system.

Before the COVID-19 pandemic, we had already announced increased benefit spending of around £5 billion overall for this financial year. Total welfare spending in 2019/20 was £225 billion, including over £98 billion on working-age welfare benefits for those who need them.

Since 2018/19, the Government has committed to a £4.5 billion cash boost to Universal Credit, to ensure that vulnerable claimants and families are supported in the transition to Universal Credit and keep more of what they earn. This includes an additional £1.7 billion a year to improve work incentives for working parents and disabled claimants on Universal Credit, increasing them by £1,000 a year from April 2019 - an extra £630 a year in the pockets of 2.4 million of the lowest paid families, and changes to remove waiting days and making bigger Universal Credit advance payments available.

The Chancellor also announced the end of the benefits freeze from April 2020, meaning that working age benefits rise by 1.7 per cent - benefiting more than 10 million people.

Whilst our focus has been quite rightly on supporting people financially during these unprecedented times, our long-term ambition remains to build an economy that supports employment, ensuring opportunities for all to enter and progress in work where possible, whilst supporting people through the welfare system in their time of need.

This approach is based on clear evidence of the important role of work in reducing poverty. Latest data for 2018/19 showed that working-age adults in households where all adults are in work were six times less likely to be in absolute poverty (after housing costs) than adults in a household where nobody works, and that a child growing up in a home where all adults were working was around four times less likely to be in absolute poverty (after housing costs) than a child in a household where nobody works.

In 2018/19, only 3 per cent of children in households where both parents work full time were in absolute poverty (before housing costs) compared to 47 per cent in households where one or more parent was in part-time work.

This Department is continuing to work with HM Treasury and other Government Departments to monitor the evolving economic and labour market situation to identify the most effective ways to help people stay in or close to work, both now and in the future.

The benefit cap provides a strong work incentive and fairness for hard-working taxpaying households, whilst providing a reasonable safety net of support for the most vulnerable. Households can still receive benefits up to the equivalent salary of £28,000 in London.

The Government firmly believes that where possible it is in the best interests of children to be in working households and the benefit cap provides a clear incentive to move into work. A child living in a household where every adult is working is about five times less likely to be in relative poverty than a child in a household where nobody works.

The benefit cap provides a clear incentive to move into work. Universal Credit households are exempt from the cap if the household earnings are at least £604 each month and Housing Benefit claimants who are entitled to Working Tax Credit are also exempt from the benefit cap.

Households may also be exempt for a period of nine months if they have a sustained work history and exemptions apply for the most vulnerable claimants who are entitled to disability benefits and carer benefits.

Claimants can approach their local authority for a Discretionary Housing Payment if they need additional support to meet rental costs. Over £1 billion in Discretionary Housing Payments has been provided to local authorities since 2011 to help the most vulnerable claimants.

I hope you will find this reply helpful.

Kind regards,

Will Quince MP

Minister for Welfare Delivery